

Decision **DRAFT DECISION OF ALJ THOMAS** (Mailed 3/22/2005)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing post-2003 Low-Income Assistance Programs.	Rulemaking 04-01-006 (Filed January 8, 2004)
In the Matter of the Application of PACIFICORP for Approval of 2005 Low-Income Assistance Program Budgets.	Application 04-06-038 (File June 30, 2004)
In the Matter of the Application of Southwest Gas Corporation (U 905 G) for Approval of Program Year 2005 Low-Income Assistance Program Budgets.	Application 04-07-002 (Filed June 30, 2004)
Application of Southern California Gas Company (U 904 G) for Approval of Program Year 2005 Low-Income Assistance Programs and Funding.	Application 04-07-010 (Filed July 1, 2004)
Application of San Diego Gas & Electric Company (U 902 M) for Approval of Program Year 2005 Low-Income Assistance Programs and Funding.	Application 04-07-011 (Filed July 1, 2004)
Southern California Edison Company's (U 338-E) Application Regarding Low-Income Assistance Programs for Program Year 2005.	Application 04-07-012 (Filed July 1, 2004)
Application of Pacific Gas and Electric Company (U 39 M) for Approval Of The 2005 California Alternate Rates for Energy and Low Income Energy Efficiency Programs and Budget.	Application 04-07-013 (Filed July 1, 2004)

IN THE MATTER of the Application SIERRA PACIFIC POWER COMPANY (U 903), for an Order Approving its 2005 California Alternate Rates for Energy (CARE) and Low Income Efficiency (LIEE) Plans and Budgets.	Application 04-07-014 (Filed July 1, 2004)
In the Matter of the Application of Avista Corporation for Approval of Program Year 2005 Low-Income Assistance Program Budgets.	Application 04-07-015 (Filed July 1, 2004)
In the Matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) Regarding Low Income Assistance Programs for its Bear Valley Electric Service Customers for Program Year 2005.	Application 04-07-020 (Filed July 8, 2004)
Application of Alpine Natural Gas Operating Company No. 1 LLC in Compliance with Decision 03-12-016 (PY 2004 Low Income Energy Efficiency ("LIEE") and California Alternate Rates For Energy ("CARE") program Plans).	Application 04-07-027 (Filed July 2, 2004)
In the Matter of the Application of West Coast Gas Company (U-910-G) For Approval of Program Year 2005 Low-Income Assistance Program Budgets.	Application 04-07-050 (Filed July 29, 2004)

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I. Summary

This decision acts on the applications of the large California investor owned utilities (IOUs) for Low Income Energy Efficiency (LIEE) and California Alternate Rates for Energy (CARE) funding for the 2005 calendar year. The large IOUs are Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E). This decision grants most of the IOU requests for funding, with the following exceptions:

TABLE 1 BUDGET DISALLOWANCES			
Utility	Description of Request	Disallowance (\$)	Reason for Disallowance
SCE	Cool Center	<\$142,500>	Fixed costs are too high
SCE	Cool Center Transportation	<\$42,750>	PGC not designed to fund
SCE	Cool Center Personnel	<\$175,750>	The program should only fund personnel that directly support Cool Center activity
SCE	Cool Center Snacks	<\$19,000>	Ratepayer funds should only be used to fund the energy efficiency measures themselves
SoCalGas	Carbon Monoxide (CO) Testing	<\$1,245,000>	CO testing should be funded from base rates
Social Gas	CO Testing	<\$555,000>	CO testing should be funded from base rates
Social Gas	CARE Audit	<\$141,000>	Audit cancelled
SDG&E	Performance Incentives	<\$222,000>	Outside the scope of this proceeding
SDG&E	CO Testing	<\$150,000>	CO testing should be funded from base rates
SDG&E	CO Testing	<\$353,100>	CO testing should be funded from base rates
SDG&E	LIOB	<1,000>	LIOB expenses are absorbed by CPUC
Social Gas	LIOB	<1,000>	LIOB expenses are absorbed by CPUC

With the foregoing modifications, we grant the IOUs the following funding amounts for their LIEE and CARE programs for 2005:

TABLE 2				
PROPOSED LARGE IOU PY2005 LIEE PROGRAM				
	PG&E	SCE	SoCalGas	SDG&E
ENERGY EFFICIENCY				
Gas Appliances	\$ 3,334,300	\$ 0	\$ 8,020,500	\$ 919,943
Electric Appliances	17,274,700	20,971,520	0	4,349,064
Weatherization	14,109,000	394,450	15,949,814	3,924,924
Outreach / Assessment / Marketing	3,978,000	2,817,745	4,600,000	0
In-Home Energy Education	3,978,000	518,400	600,000	1,244,291
Education Workshops	50,000	0	420,000	268,107
Energy Efficiency Total	\$42,724,000	\$24,702,115	\$29,590,314	\$10,706,329
LANDLORD CO PAYS				
Air Conditioner Replacement – Central	0	0	0	0
Air Conditioner Replacement – Room	5,000	0	0	0
Refrigerator (CoPay)	20,000	0	0	0
Landlord Co Pays Total	\$25,000	\$0	\$0	\$0
PILOTS				
Cool Center 3	0	0	0	0
Cool Zones	0	0	0	55,000
LIHEAP Leveraging	750,000	0	0	0
Natural Gas Appliance Testing (NGAT)	0	0	\$1,800,000	\$353,100
Pilots Total	\$750,000	\$0	\$1,800,000	\$408,100
OTHER PROGRAM ACTIVITIES				
Training Center	400,000	20,000	325,000	0
Inspections	2,500,000	555,000	1,132,919	486,048
Advertising	0	15,000	281,000	250,000
Measurement & Evaluation (M&E)	300,000 ¹	195,000	60,000	50,000
Regulatory Compliance	476,000	70,000	230,000	200,000
Other Administration	9,320,000	1,772,885	1,669,642	563,614
Other Program Activities Total	\$12,996,000	\$2,627,885	\$3,698,561	\$1,549,662
Oversight Costs – CPUC Energy Division	\$35,000	\$70,000	\$36,000	\$21,000
TOTAL LIEE PROGRAM PROPOSALS	\$56,530,000	\$27,400,000	\$35,124,875	\$12,685,091
Indirect Costs	2,500,000	420,000	641,628	833,002

Indirect Costs are not charged to LIEE program.

¹ Subject to discussion entitled “LIEE Measurement and Evaluation,” below

TABLE 3
LARGE IOU 2005 AUTHORIZED CARE BUDGETS

	PG&E	SCE	SoCalGas	SDG&E
Outreach	\$3,850,000	\$ 1,633,000	\$ 2,402,750	\$ 1,631,727
Automatic Enrollment	150,000	60,000	30,000	21,200
Proc., Certification & Verification	2,100,000	600,000	925,334	227,269
Bill System / Programming	150,000	557,000	265,045	72,800
Measurement & Evaluation	487,000	58,000	393,560	320,700
Regulatory Compliance	170,000	50,000	163,306	123,872
General Administration	450,000	1,063,000	297,315	177,314
Low Income Oversight Board	0	0	0	0
CPUC Energy Division	100,000	82,700	83,000	50,000
Total CARE Expenses	\$7,457,000	\$ 4,104,000	4,561,310	\$2,625,882
Subsidies & Benefits	191,300,000	168,100,000	75,315,876	32,907,285
Total Program Costs and Discounts	\$198,457,000	\$172,204,000	\$79,876,186	\$35,532,167

We also address several related issues:

- The IOUs' request to place their LIEE/CARE programs on a two-year rather than a one-year funding cycle;
- The IOUs' Cool Center/Cool Zone programs;
- Carbon monoxide testing of gas appliances;
- A proposed new LIEE measure – air conditioning maintenance;
- How IOUs prove their third party contractor costs;
- Low Income Oversight Board (LIOB) membership;
- Assembly Bill 868 (CARE subsidies for residents of migrant farm housing centers);
- Reinstatement of cooling measures in one California climate zone; and
- The Green Buildings Initiative, signed by Governor Schwarzenegger on December 14, 2004.

II. Background

Low-income assistance programs consist of direct weatherization and energy efficiency services under the LIEE programs, and rate assistance under the CARE program. Both programs are funded by the public goods charge (PGC, also known as the public purpose program charge or PPP) that appears on utility bills.

Each year, we prescribe a set level of LIEE funding for each utility, which includes the utility's administrative budget. The utility must live within that budget, and any unspent funds are added to the next year's prescribed budget. However, we expect the utilities to manage the deployment of their programs so that they neither run out of funds before the end of the year nor have substantial unspent funds at the end of the year. This decision examines both the programs the utilities propose to fund and their requested administrative expenses.

CARE funding is somewhat different from LIEE, because it is never clear ahead of time how many customers will need the subsidy or how high their rate subsidies will run. Thus, we do not prescribe a budget for the CARE subsidies themselves. We do examine the IOUs proposed CARE administrative costs and adopt budgets for them, subject to a reasonableness review.

At a May 18, 2004 prehearing conference, the Administrative Law Judge (ALJ) directed the IOUs to file their 2005 LIEE and CARE applications on July 1, 2004. The ALJ consolidated the IOU individual applications with the Commission's LIEE/CARE Rulemaking (R.) 04-01-006 on September 27, 2004.

The Commission's Office of Ratepayer Advocates (ORA) filed comments on the applications of PG&E, SDG&E, SoCalGas and SCE, indicating its concerns about each application and asking the ALJ to direct the IOUs to supplement their applications with data responses they provided ORA. The ALJ ordered the IOUs

to supplement the record with this information. In addition, the ALJ and the Energy Division issued data requests addressing various issues in the applications. We discuss ORA's concerns and the additional data the utilities supplied in connection with our discussion of the individual applications below.

III. IOUs' Proposed 2005 LIEE Programs

The following table presents an overview of the large IOUs' LIEE proposals.

TABLE 4				
LARGE IOU 2005 AUTHORIZED LIEE PROGRAM BUDGETS				
	PG&E	SCE	SoCalGas	SDG&E
ENERGY EFFICIENCY				
Gas Appliances	\$ 3,334,300	\$ 0	\$ 8,020,500	\$ 919,943
Electric Appliances	17,274,700	20,971,520	0	4,349,064
Weatherization	14,109,000	394,450	15,949,814	3,924,924
Outreach / Assessment / Marketing	3,978,000	2,817,745	4,600,000	0
In-Home Energy Education	3,978,000	518,400	600,000	1,244,291
Education Workshops	50,000	0	420,000	268,107
Energy Efficiency Total	\$42,724,000	\$24,702,115	\$29,590,314	\$10,706,329
LANDLORD CO PAYS				
Air Conditioner Replacement – Central	0	0	0	0
Air Conditioner Replacement – Room	5,000	0	0	0
Refrigerator (CoPay)	20,000	0	0	0
Landlord Co Pays Total	\$25,000	\$0	\$0	\$0
PILOTS				
Cool Center 3	0	0	0	0
Cool Zones	0	0	0	55,000
LIHEAP Leveraging	750,000	0	0	0
Pilots Total	\$750,000	\$0	\$0	\$55,000
OTHER PROGRAM ACTIVITIES				
Training Center	400,000	20,000	325,000	0
Inspections	2,500,000	555,000	1,132,919	486,048
Advertising	0	15,000	281,000	250,000
Measurement & Evaluation (M&E)	300,000	195,000	60,000	50,000
Regulatory Compliance	476,000	70,000	230,000	200,000
Other Administration	9,320,000	1,772,885	1,669,642	563,614
Other Program Activities Total	\$12,996,000	\$2,627,885	\$3,698,561	\$1,549,662
Oversight Costs – CPUC Energy Division	\$35,000	\$70,000	\$36,000	\$21,000
TOTAL AUTHORIZED LIEE BUDGET	\$56,530,000	\$27,350,000	\$33,324,875	\$12,331,991

We summarize each of the utilities' 2005 LIEE program and funding proposals below. After each summary, we discuss ORA's concerns, and then provide the outcome we deem appropriate.

A. SCE's LIEE Program Proposal

1. SCE's Proposal

a) Budget

SCE proposes a total LIEE program budget of approximately \$27,400,000 for 2005 (including administrative costs). Additionally, SCE has \$1.5 million of carryover funds from previous years. SCE proposes to increase the number of customers it serves from approximately 20,000 in 2004 to approximately 49,000 in 2005, an increase of more than 100 percent. SCE reaches its \$27.4 million budget projection by estimating that it will serve 49,000 homes at an average cost of \$560 per home.

The following is a more detailed summary of SCE's proposed 2005 LIEE budget:

TABLE 5 2005 PROPOSED LIEE BUDGET SOUTHERN CALIFORNIA EDISON	
ENERGY EFFICIENCY	
Gas Appliances	\$ 0
Electric Appliances	20,971,520
Weatherization	394,450
Outreach / Assessment / Marketing	2,817,745
In-Home Energy Education	518,400
Education Workshops	0
Energy Efficiency Total	\$24,702,115
LANDLORD CO PAYS	
Air Conditioner Replacement - Central	0
Air Conditioner Replacement - Room	0
Refrigerator (CoPay)	0
Landlord Co Pays Total	\$0

TABLE 5 2005 PROPOSED LIEE BUDGET SOUTHERN CALIFORNIA EDISON	
PILOTS	
Cool Center 3	0
Cool Zones	0
LIHEAP Leveraging	0
Natural Gas Appliance Testing (NGAT)	0
Pilots Total	\$0
OTHER PROGRAM ACTIVITIES	
Training Center	20,000
Inspections	555,000
Advertising	15,000
Measurement & Evaluation (M&E)	195,000
Regulatory Compliance	70,000
Other Administration	1,772,885
Other Program Activities Total	\$2,627,885
Oversight Costs – CPUC Energy Division	\$70,000
TOTAL LIEE PROGRAM PROPOSALS	\$27,400,000
Indirect Costs	420,000

Indirect Costs are not charged to LIEE program

From this budget, SCE estimates it will install 196 window/wall air conditioners, 2401 evaporative coolers, 29,302 refrigerators, 210,210 compact florescent lamps (CFL), and 637 porch light fixtures; weatherize 1,127 homes; and provide 49,000 homes with energy education services.

b) Rate Increase

SCE is the only large IOU that proposes a significant increase in its LIEE budget in 2005 over its 2004 budget. It seeks a revenue increase of \$13.4 million, or 0.14 percent, in 2005. In notices sent to residential customers and appended to its application, SCE indicated that the Commission would hold hearings on this rate increase. As we discuss below, we have determined that such hearings are not necessary.

On October 7, 2004, SCE responded to an ALJ data request, explaining the reasons for the proposed increase. First, it explained that in 2001 its contractors installed a “barrage” (275,000) of low cost energy efficient light bulbs (CFLs). However, only 1,600 of SCE’s customers received more expensive measures (caulking, weatherstripping, attic insulation and minor home repairs) in that year. Thus, SCE’s earlier programs emphasized low-cost measures.

We took note of this situation in D.02-12-019, where we stated, “While the statistics above indicate that 92% of SCE’s eligible homes have been treated over the past 10 years, as SCE acknowledges, many of these homes were offered only limited measures . . . (e.g., CFLs). Accordingly, SCE plans to evaluate the need to revisit those homes to provide more comprehensive treatment.”² In its application, SCE acknowledges that, “SCE’s review of LIEE expenditures and budgets for the dual-fueled utilities (PG&E and SDG&E) indicates that comprehensive delivery of LIEE services involves higher cost measures for electric appliances such as room air conditioners and refrigerators, thus requiring more budgeted resources for electric measures than for gas appliance measures.”³

SCE states that it has since surveyed its customers and ramped up a contractor-training program designed to provide comprehensive LIEE services to its customers. While it expects to serve 49,000 customers in 2005 (versus 80,000 in 2001), the measures the customers receive will be far more comprehensive

² D.02-12-019, 2002 Cal. PUC LEXIS 854, at *20.

³ *Testimony of Southern California Edison Company in Support of Application Regarding Low-Income Assistance Programs for Program Year 2005*, dated July 1, 2004 (SCE Testimony), at 19.

than light bulbs. Customers will receive all feasible measures, including weatherization services and more expensive electric measures such as refrigeration and room air conditioners. This change will require an increase in the overall budget, and cause SCE's per-customer cost to rise.

Moreover, while SCE, an electric utility, has provided services to SoCalGas customers in past years, it found in late 2003 and early 2004 that its LIEE funding was insufficient to provide comprehensive services to those customers. Consequently, "SCE developed its proposed service and funding level [for] 2005 to make sure that every SCE customer touched by SoCalGas is also touched by SCE." SCE's 2005 funding request "will allow customers located in the joint SCE and SoCalGas service area to receive the same measures as customers receiving electric and gas services from [dual gas/electric utilities] PG&E or SDG&E."⁴ SCE also attributes the increase in cost and offered measures to the Commission's addition of measures to the mix in D.01-05-033 and D.03-11-020.

c) Ratemaking Treatment

SCE proposes no change to its currently approved LIEE ratemaking.⁵ We approve continuation of the *status quo*.

⁴ *Response of Southern California Edison Company ... To the Data Request Presented in the Administrative Law Judge's Ruling Consolidating Applications for Program Year 2005 Low-Income Energy Efficiency and California Alternate Rates for Energy Programs*, filed Oct. 7, 2004, response to question 9.

⁵ SCE Testimony at 33.

d) Cool Centers

SCE proposes one new program. The Company plans to spend up to \$475,000 to administer “Cool Centers” for 2005.⁶ As the Assigned Commissioner and ALJ set forth in the Scoping Memo for this proceeding:

“Cool Centers” are programs to subsidize air conditioning bills at locations where seniors and low-income persons congregate, such as senior centers and community centers. Subsidies for such persons do not fit precisely under the LIEE or CARE rubric, since they are not energy efficient appliances and measures (LIEE) or direct rate assistance to utility customers (CARE). However, the total statewide IOU budgets for these programs have not exceeded \$1 million, and it therefore makes sense to deal with funding for cool centers here [in R.04-01-006] rather than swallowing the funding up in the IOUs’ general rate cases or opening a separate proceeding to consider their funding. We will therefore require the IOUs who seek cool center funding in 2005 to do so with their 2005 applications, due on July 1, 2004. The utilities shall work together with ORA and submit their proposals for cool centers using consistent treatment and funding proposals.⁷

SCE proposes ratemaking treatment for the 2005 Cool Center program that is similar to the currently authorized ratemaking for LIEE,⁸ but does not suggest

⁶ SDG&E refers to the same program as “Cool Zones.”

⁷ *Scoping Memo* dated June 24, 2004, at 9-10.

⁸ Specifically, SCE proposes to: 1) recover the annual Cool Center revenue requirement adopted in this proceeding through the operation of the Public Purpose Program Adjustment Mechanism, and 2) establish a one-way balancing account (the Cool Center Program Balancing Account), which will record the difference between the authorized Cool Center revenue requirements and actual incurred Cool Center expenses.

paying for Cool Centers out of the LIEE budget. Rather, it proposes to carve out a portion of the public purpose program charge to cover its Cool Center budget.

2. ORA's Comments on SCE's LIEE Proposal

ORA's comments focus on three issues. First, in the Scoping Memo for this proceeding, the Assigned Commissioner and ALJ asked parties to address the Low Income Oversight Board's (LIOB) request to add a new measure as a pilot program (service and maintenance of central air conditioning systems) to the mix of LIEE services the IOUs offer:

At the [prehearing conference], the LIOB representative noted that at a meeting held on May 17, 2004, the LIOB voted unanimously to have the Board request that the electric utilities consider conducting a pilot program or setting aside funds for service and maintenance on central air conditioning systems. The program would ensure that appliance pressures are correct and that appliances are clean so customers obtain optimal energy efficiency from their current appliances. The IOUs shall consult with the LIOB or an LIOB representative on this issue and address the feasibility of such a project in their July 1, 2004 LIEE program application filings.⁹

In its application, SCE suggested that the Commission first refer the LIOB's proposal to the Standardization Team. The Standardization Team consists of the IOUs and their technical consultants, and evaluates all proposals to add new measures to the mix of LIEE programs. The Team obtains input from the public before submitting final recommendations to the Commission.

As its first comment on SCE's application, ORA expresses agreement with SCE's suggestion to submit the LIOB's proposed central air conditioning service

⁹ *Id.* at 12-13.

and maintenance suggestion to the Team for analysis. As discussed below, we agree that the Team should first assess this proposed new measure.

Second, ORA supports an expansion of SCE's LIEE program, but expresses concern that the application does not demonstrate how SCE developed the estimates for its budget increase. ORA asks that SCE be directed to supplement its application with responses to data requests ORA served. In its reply comments, SCE supplemented the record with this information, and responded to the ALJ's questions about the budget increase. We are now satisfied that SCE's showing is adequate, as discussed below.

Third, ORA expresses concern about SCE's Cool Center proposal. ORA supports the concept of Cool Centers, and agrees that such programs, which are targeted toward elderly, disabled and other vulnerable populations, can benefit low-income customers. However, ORA notes that while many participants in the Cool Centers may be eligible for LIEE or CARE, it does not seem appropriate to take funds from other program activities to support this program without proof of income eligibility. It suggests that the Commission adopt Cool Centers "with funding from public purpose program surcharges under the umbrella of the low income programs, but separate from CARE and LIEE."¹⁰ ORA also suggests that the Commission require program planning for future Cool Centers, including a discussion of Cool Center performance and accomplishments, be included in future low-income energy assistance applications.

¹⁰ *Limited Protest of the Office of Ratepayer Advocates to Southern California Edison Company's Application Regarding Low Income Assistance Programs for Program Year 2005 (ORA SCE Protest)*, filed Aug. 13, 2004, at 6.

SCE responds that it agrees with ORA that Cool Centers should be funded from the public goods charge but as a rate element apart from the LIEE and CARE programs. It does not oppose ORA's suggestion that the Commission require Cool Center program planning in future applications.

3. Discussion of SCE's LIEE Program Proposal

a) Rate Increase

We believe SCE adequately explains the rate increase and the increase in the numbers of customers it proposes to serve, with exceptions noted below.

With regard to SCE's proposed overall program budget increase, we agree that in the past SCE's program centered on low-cost measures such as CFLs. In recent years, the Commission has required each IOU to offer each eligible low-income customer the full array of LIEE measures. With this change, SCE is reaching fewer customers than it reached in the past, and fewer customers than those served by the other IOUs, taking into consideration size differences. In addition, pursuant to Commission leveraging requirements, SoCalGas now refers many of its gas LIEE customers to SCE for electric measures. All of these changes necessitate a higher budget for SCE in order to ensure that customers in SCE's territory have parity with those in other large IOUs' territory.

We also find reasonable SCE's estimate of \$560 as the average cost per home. By comparison, SoCalGas reports its 2004 cost per home ranging from an average of \$567 for weatherized homes to \$600 for treated homes. SDG&E's comparable 2004 figures are \$850 and \$809, respectively. Thus, SCE's proposed levels of service and cost compare favorably to those offered by the other large IOUs and should be approved.

We do question some elements of the proposed increase, however, and disallow the following elements of SCE's budget proposal.

b) Cool Center Disallowances

SCE first created a Cool Center program in 2004. In Resolution E-3885, dated August 19, 2004, the Commission conditionally approved SCE's Cool Center program as a pilot measure and indicated that for 2005, Cool Center programs would be evaluated with the IOUs' 2005 applications. The Commission stated that it would evaluate the value of Cool Center programs overall, in addition to the appropriate funding mechanisms, based on information gleaned from the pilot program. In addition, the Commission allowed SCE to book its 2004 Cool Center costs into a one-way memorandum account, subject to reasonableness review.

In the same Resolution, the Commission ordered the distribution of a postage-paid usage survey at the Cool Centers for participants to fill out. In addition, we required SCE to code all CARE applications provided at the Cool Centers and track successful new CARE enrollees resulting from Cool Center participation.

In our view, there are three alternative ways to fund Cool Center programs from the low-income segment of the PPP. The first would require that the centers be established as CARE outreach providers and fund them as a CARE outreach expense. The second would require that we relax our comprehensive program requirement (that every LIEE participant receive every feasible LIEE measure), and fund the centers as a LIEE expense. The third alternative would be to establish a new component of the PGC to fund these programs. While the latter may be the most attractive alternative from a program sense, setting up such a component would require an investment of staff and utility time and programming and billing costs to establish and maintain this mechanism. The insignificant proposed program costs may not warrant such an expense.

We are currently evaluating the Cool Center data from both SCE's and SDG&E's 2004 Cool Center programs, which was only recently provided to the Energy Division. Based on the initial review, the Energy Division believes that the Cool Center programs should continue for one more year as a CARE outreach pilot, and associated costs, not to exceed those we adopt today, funded as a CARE outreach expense. We concur with the Energy Division. We will address continuation of the Cool Center programs past 2005, as well as the costs booked into SCE's 2004 Cool Center memorandum account, in a future decision, based on data collected in 2004 and 2005.

With all of the foregoing qualifications, we now turn to SCE's 2005 Cool Center proposal.

SCE's Cool Center budget is too high. It includes costs for rent, utilities, insurance, and janitorial services for the locations where the Cool Centers are held. These are fixed costs that the senior centers and other locations would incur even if cooling were not offered at the centers. We disallow all such expenses (\$142,500).

The budget also includes bus passes, vehicle rental and fuel costs to provide transportation to the Cool Centers. Because LIEE funding typically is focused on a customer's own residence, we have not previously considered whether it is appropriate to allow customers to recover transportation costs incurred in connection with their receipt of energy efficiency measures. We conclude that it is not. The LIEE segment of the public goods charge is designed to fund low-income energy efficiency measures and accompanying administrative costs. In addition, CARE outreach expenditures do not include transportation costs. Transportation to locations to take advantage of LIEE measures is not in itself an energy efficiency measure, nor is it an appropriate

CARE outreach cost, and we therefore disallow it. This disallowance reduces SCE's budget by an additional \$42,750.

SCE also proposes to cover the cost of additional personnel/staff at the locations where it houses the Cool Centers to provide direct support of Cool Center activities. Since the only energy efficiency measure at issue is cooling, any activities the centers otherwise offer should not be part of the Cool Center budget. We exclude this amount – \$175,750 – from SCE's proposed budget.

Finally, SCE includes snacks and beverages for Cool Center participants. Again, because the Cool Centers simply provide cooling at existing senior centers and other facilities, whether or not the centers offer food should depend on whether the underlying programs housed at the centers offer food. The addition of cooling measures at the centers should not change the otherwise available programs or services. Ratepayer funds should only cover the energy efficiency measures themselves, and snacks and beverages are not an appropriate CARE outreach expenditure. We thus exclude \$19,000 from SCE's proposed budget.

Otherwise, we agree with SCE and ORA that Cool Centers provide an important measure of comfort to LIEE and CARE customers who live in hot climates around the state. We note, however, ORA's concern that "it does not seem appropriate to take funds from other program activities to support this program without proof of eligibility." Nonetheless, we do not see how already existing community and senior centers can bar their clients from the cooled portions of their facilities unless they show proof of LIEE or CARE eligibility. Given the relatively small amounts of funds involved (SCE's total proposal is \$475,000, and we have reduced that amount by \$380,000), and ORA's acknowledgement that such centers probably "are targeted toward elderly,

disabled and other vulnerable populations,” we approve of Cool Center funding generally.

We agree with ORA that in future low-income applications, SCE (and any other utility offering a Cool Center) should explore how to ensure that public goods charge funds are devoted only to LIEE and CARE eligible customers.

We also agree with the statement of the Assigned Commissioner and ALJ in the scoping memo for this proceeding that, “Subsidies for ... persons [attending Cool Centers] do not fit precisely under the LIEE or CARE rubric, since they are not energy efficient appliances and measures (LIEE) or direct rate assistance to utility customers (CARE).” However, exploring these centers as opportunities to expand CARE outreach is reasonable in light of the Commission’s goal to achieve 100% participation in the CARE program. We thereby authorize funding, subject to the above disallowances and as a pilot CARE outreach program, for 2005. Because these are pilot programs, expenditures for the 2005 Cool Centers should not be allowed to exceed the budgeted amounts we approve today.

For the 2005 Cool Center pilots, SCE and SDG&E, in consultation with the Energy Division, need to design and distribute a usage survey for Cool Center participants to fill out. This survey shall have prepaid postage to facilitate mailing. SCE and SDG&E should code all CARE applications provided at the Cool Centers and track successful new CARE enrollees resulting from Cool Center participation. SCE and SDG&E should also report on CARE enrollment from the Cool Centers and survey results, as directed by the Energy Division. The utilities shall not charge the CARE program for the distribution of CARE outreach materials (including, but not limited to, CARE flyers, brochures, banners and applications), and instead should include the costs of these

materials as part of the costs of the Cool Center programs. That is, CARE-related materials produced specifically for Cool Center activities shall be funded by the Cool Center programs.

c) Hearings on SCE's Rate Increase

SCE indicated in its published notice of the rate increase that hearings would occur. In a ruling dated September 27, 2004, the ALJ asked interested parties to address whether the law would permit the Commission to proceed on SCE's application without hearings. Both ORA and SCE filed comments indicating that hearings were not legally required, despite the fact that notices to customers had been issued stating that the Commission would hold such hearings.

ORA states that the Commission is not required to hold a hearing before granting SCE its rate increase request, citing *Wood v. Public Utilities Commission*, 4 Cal. 3d 288, 292 (1971). That case held that "[t]he Public Utilities Code does not require public hearings before rate increases or rule changes resulting in rate increases may be authorized." ORA also notes that Commission rules do not provide ratepayers with a right to hearings in ratesetting cases such as this one. Commission Rule 24 requires applicants to provide notice to customers of a proposed rate increase (which the attachments to SCE's Reply to ORA's protest indicated it provided), but does not require that hearings on the increase be held.

ORA suggests, however, that the Commission contact the Public Advisor's Office to determine whether consumers have expressed an interest in participating in the rate increase aspect of this proceeding. The assigned ALJ has done so and was told on October 13, 2004 – long after SCE caused notices of the hearings to be published in July 2004 – that that no such contacts had been received.

We are satisfied that hearings are not required on SCE's rate increase, despite the notices it sent to the contrary. Those notices did not produce comments or input from members of the public. Nor does the law otherwise require a hearing. We are satisfied based on the application, and ORA's response, that we have adequate information before us to analyze the requested increase without a hearing. Except for the items noted above, we are satisfied that SCE's LIEE budget is reasonable.

B. PG&E's LIEE Program Proposal

1. PG&E's Proposal

a) Budget

PG&E seeks a LIEE budget of \$61.060 million for 2005, \$4.530 million more than we authorized for 2004. This amount consists of \$56.530 million in new funding, and approximately \$17.3 million in carryover from funding not expended in prior years. In 2005, PG&E plans to continue to offer the measures we approved for 2004. PG&E estimates that it will weatherize and treat 47,000 homes during 2005.

The following table shows PG&E's LIEE budget request for 2005:

TABLE 6 2005 PROPOSED LIEE BUDGET PACIFIC GAS & ELECTRIC		
ENERGY EFFICIENCY		
Gas Appliances		\$ 3,334,300
Electric Appliances		17,274,700
Weatherization		14,109,000
Outreach / Assessment / Marketing		3,978,000
In-Home Energy Education		3,978,000
Education Workshops		50,000
Energy Efficiency Total		\$42,724,000
LANDLORD CO PAYS		
Air Conditioner Replacement - Central		0

TABLE 6 2005 PROPOSED LIEE BUDGET PACIFIC GAS & ELECTRIC		
	Air Conditioner Replacement - Room	5,000
	Refrigerator (CoPay)	20,000
Landlord Co Pays Total		\$25,000
PILOTS		
	Cool Center 3	0
	Cool Zones	0
	LIHEAP Leveraging	750,000
	Natural Gas Appliance Testing (NGAT)	0
Pilots Total		\$750,000
OTHER PROGRAM ACTIVITIES		
	Training Center	400,000
	Inspections	2,500,000
	Advertising	0
	Measurement & Evaluation (M&E)	300,000
	Regulatory Compliance	476,000
	Other Administration	9,320,000
Other Program Activities Total		\$12,996,000
Oversight Costs – CPUC Energy Division		\$35,000
TOTAL LIEE PROGRAM PROPOSALS		\$56,530,000
	Indirect Costs	2,500,000

Indirect Costs are not charged to LIEE program

b) Electric/Gas Cost Split

PG&E requests authorization to change the current electric/gas allocation of its budget so that instead of spending 48% of its budget on electric programs and 52% on gas programs, it may spend 70% of budget on electric and 30% on gas programs. PG&E explains that its spending pattern for the LIEE program has changed in the last several years, and that it now is spending more on electric measures and less on gas measures. It asserts that the current electric/gas revenue split of 48%/52% no longer reflects the actual electric/gas split of 64%/36% (a figure PG&E derived from its 2004 expenditure data available when

it filed its application). PG&E also notes that it has unspent gas funds because of the current revenue split, and wishes to reduce the likelihood that it will have substantial amounts of unspent gas funds at the end of 2005.

c) Go-Backs

PG&E asks that we impose a time limit on customers' ability to re-enter the LIEE program for additional measures or services for which they were not eligible or which were not available the first time their homes were treated. PG&E explains that in D.01-05-033, during the "Rapid Deployment period" that coincided with the state's energy crisis, utility administrators had the flexibility to send LIEE service providers back to treated homes to install new measures adopted in that decision.¹¹ PG&E instituted a "go-back" program during the Rapid Deployment period of 2001 and 2002. Under the program, PG&E attempted to contact all previous LIEE participants to determine whether they might qualify for new and additional measures.

PG&E now finds that continuing to allow re-entry into the program causes problems. PG&E also questions when to start the 10-year period during which program re-entry is prohibited if homes are allowed to receive new measures after their initial treatment under LIEE.

First, many previous LIEE participants call the utility to request refrigerator replacement as soon as their ineligible refrigerator turns ten years old. Second, PG&E notes that the practice of going back to already treated

¹¹ The measures were: replacement of inefficient air conditioners with high efficiency models; duct sealing and repair; installation of whole house fans; replacement of inefficient or inoperable water heaters with high efficiency units; installation of set-back thermostats; and evaporative cooler maintenance.

homes makes it difficult for the utility ever to close projects and accurately count treated homes. PG&E states that, “[i]f previous LIEE participants are forever eligible to upgrade their measures, the program in effect becomes more like a subscription program than a one-time treatment service.” Finally, PG&E asserts that it is hard to budget accurately for go-backs: “More customers call each year to request appliances they were ineligible for at the time of their original participation.”¹²

d) Two-Year Program Cycle

PG&E also seeks a two-year program cycle going forward. As we discuss in the section entitled “Two-Year Program Cycle,” below, we generally approve this request.

e) Third-Party Contractor Data

In support of its LIEE costs, PG&E submitted data – previously required by the Commission – reflecting its contractors’ costs, since it contracts out many of its LIEE tasks. However, PG&E concedes that the information is less than reliable:

many contractors noted that they do not break out their costs by the requested categories [by measure] and that the data provided in their measure cost breakdown tables is based upon estimates, guesses, and averages. Several contractors provided their measure cost breakdown information under protest and voiced concerns regarding how the utility’s knowledge of this information may affect their future competitiveness in the utility’s and/or the administrator’s bidding processes.

¹² *PG&E Application*, Chapter 2, at 2-6.

Because we need consistent contractor data from all utilities, we discuss this issue in the section entitled “Issues Generic to Utility CARE/LIEE Applications,” below.

f) Central Air Conditioning Maintenance Pilot

PG&E also addresses the LIOB’s proposal that the Commission add a pilot program to the LIEE mix for service and maintenance of electric central air conditioning systems. It suggests that the Standardization Team first analyze the LIOB recommendation. We agree that this is the appropriate first step. Because this issue pertains to more than one utility, we address this issue in the section entitled “Issues Generic to Utility CARE/LIEE Applications,” below.

2. ORA’s Comments on PG&E’s LIEE Proposal

ORA’s comments first address PG&E’s natural gas appliance testing (NGAT) services. As we discuss in the section entitled “Carbon Monoxide Testing/Natural Gas Appliance Testing Settlement,” below, the information in PG&E’s application and ORA’s protest pre-dates a settlement reached on the issue. We therefore defer discussion of the issue to later in this decision.

Second, ORA once again addresses the proposal, first raised by the LIOB, that the Commission add a pilot program to the LIEE mix for service and maintenance of electric central air conditioning systems. It supports PG&E’s suggestion that the Standardization Team first analyze the LIOB recommendation, and we agree that this is the appropriate first step. Because this issue pertains to more than one utility, we address this issue in the section entitled “Issues Generic to Utility CARE/LIEE Applications,” below.

Third, ORA addresses go-backs, and states that the Standardization Team should review the concerns PG&E raises as part of its standardization process.

Fourth, ORA addresses Cool Centers, which PG&E does not offer. ORA suggests that if the Commission adopts Cool Centers for SDG&E and SCE, it should order PG&E to initiate a similar program to benefit households in hot areas of PG&E's territory. It states that "because hot and desert-type climates exist throughout the state of California, it does not make sense to deprive customers in one area benefits received by customers of other utilities."¹³ ORA recommends that the funding source for the Cool Centers be similar to that proposed by SCE (a rate element funded by the PGC but supplemental to the LIEE and CARE program budgets).

3. Discussion of PG&E's LIEE Proposal

a) Budget

We approve PG&E's budget, which is the same as the one we approved for 2004. While PG&E is proposing to carryover \$17.3 million in unused funding from prior years, we are satisfied that there is enough information in PG&E's filing to justify granting PG&E the same level of funding for 2005 as we did for 2004. Of course, PG&E shall carryover all unused 2005 funding into the following years' budgets. However, we impose requirements regarding third-party contractor data as discussed below in the section entitled "IOU Contractor Costs."

¹³ *Limited Protest of the Office of Ratepayer Advocates to the Application of Pacific Gas and Electric Company for Approval of Program Year 2005 Low-Income Assistance Programs and Funding*, filed Aug. 13, 2004, at 8.

b) Electric/Gas Cost Split

We reject in part PG&E's request to reallocate its authorized budget between gas and electric programs. It requests a revision from 48%/52% electric/gas to 70%/30%, even though its data – based on partial 2004 numbers – justify only a 64%/36% electric/gas program split. It is uncertain at this time if the current trend of increasing electric LIEE expenditure and decreasing gas LIEE expenditures will continue. While it is true that the addition of expensive electric appliance measures to the LIEE program mix and a reduction in homes requiring extensive measures are contributing to this trend, we have no hard evidence that the trend away from a 50-50 split will continue. We hesitate to over-compensate and end up with a large balance of unexpended funds on the electric side.

In addition, in D.02-12-019, we continued the policy we adopted in D.01-05-033, providing that if PG&E or SDG&E believed that changes to their adopted gas/electric allocation were warranted, they could file an advice letter requesting such changes.¹⁴ We continue that policy by today's decision.

We therefore allow PG&E a split that reflects its 2004 results (64% for electric and 36% for gas programs). As we have required in previous years, PG&E's unspent electric and gas funds are to be added to the 2005 funding we authorize today.

c) Go-Backs

The Commission always wishes to ensure that eligible customers with only partial LIEE measures in their homes (especially small measures such as CFLs) receive all measures for which they are eligible. Nonetheless, we also appreciate

¹⁴ D.02-12-019, p. 21, and D.01-05-033, pp. 62-63, ordering paragraph 12.

PG&E's concerns that go-backs may cause record-keeping problems, create a tendency among certain customers to over-burden the program, and make budgeting difficult.

However, we agree with ORA that this issue requires further study, and submit the issue for consideration as part of the Standardization Team's effort. The Team should balance the premise that all customers should receive all measures for which they are currently eligible (even if they received prior services) against the administrative concerns PG&E raises. We note that the other IOUs have not raised the same concerns PG&E does in this proceeding. Thus, the Team should develop a standardized policy for go-backs that incorporates the experiences of these IOUs. The Team should consider developing specific rules to guide IOUs and customers on how frequently the IOUs should attempt go-back efforts, time and other limitations on go-backs, and other rules designed to strike a balance between the goal of giving customers all feasible LIEE measures and IOU concerns regarding excessive record-keeping and cost.

d) Cool Centers in PG&E's Service Territory

Because we are only approving the Cool Centers SCE and SDG&E currently offer as pilot programs, we reject ORA's request to require PG&E to offer Cool Centers in PG&E service territory. We will reexamine the appropriateness of Cool Centers for all IOUs when considering the 2006-07 LIEE/CARE applications.

C. SDG&E's LIEE Program Proposal**1. SDG&E's Proposal****a) Budget and Program Elements**

SDG&E seeks a total LIEE budget of \$13,518,093 in 2005, as compared to \$13,368,093 for 2004. Additionally, SDG&E has \$2.8 million of carryover funds from prior years. This is a \$150,000 increase, with the increase attributable to CO testing. The following table shows SDG&E's LIEE request:

TABLE 7		
2005 PROPOSED LIEE BUDGET		
SAN DIEGO GAS & ELECTRIC		
ENERGY EFFICIENCY		
	Gas Appliances	\$ 919,943
	Electric Appliances	4,349,064
	Weatherization	3,924,924
	Outreach / Assessment / Marketing	0
	In-Home Energy Education	1,244,291
	Education Workshops	268,107
Energy Efficiency Total		\$10,706,329
LANDLORD CO PAYS		
	Air Conditioner Replacement - Central	0
	Air Conditioner Replacement - Room	0
	Refrigerator (CoPay)	0
Landlord Co Pays Total		\$0
PILOTS		
	Cool Center 3	0
	Cool Zones	55,000
	LIHEAP Leveraging	0
	Natural Gas Appliance Testing (NGAT)	353,100
Pilots Total		\$408,100
OTHER PROGRAM ACTIVITIES		
	Training Center	0
	Inspections	486,048
	Advertising	250,000
	Measurement & Evaluation (M&E)	50,000
	Regulatory Compliance	200,000
	Other Administration	563,614
Other Program Activities Total		\$1,549,662
Oversight Costs – CPUC Energy Division		\$21,000
TOTAL LIEE PROGRAM PROPOSALS		\$12,685,091
	Indirect Costs	833,002

Indirect Costs are not charged to LIEE program

SDG&E's LIEE program is comprised of the Direct Assistance Program (DAP) and Energy Education for Low-Income program (EELI). As is true of the other IOUs' programs, the DAP program includes 3 major elements: 1) the installation of basic measures (ceiling insulation, water heater blankets, weatherstripping, caulking, low flow showerheads, faucet aerators, outlet gaskets, water heater pipe wrap, and minor home repairs); 2) appliance repair and replacement (including natural gas appliance testing, repair or replacement of inoperable or hazardous natural gas furnaces in owner occupied dwellings, refrigerators, CFLs and energy efficient hard-wired porch light fixtures, evaporative cooler covers and evaporative coolers); and 3) in-home energy education.

SDG&E has proposed a 2005 DAP budget of \$12.216 million. SDG&E's carryover funds for use in 2005 are \$2.8 million including interest. Based on its proposed funding level, SDG&E estimates that it will weatherize approximately 10,700 homes, install 6,000 refrigerators, replace 100 water heaters, replace or repair 1,730 natural gas furnaces, and provide 36,000 CFLs. During 2005, SDG&E will continue several expanded outreach activities it developed in past years, including coordinating with Low Income Home Energy Assistance Program (LIHEAP)¹⁵ agencies and Native American Tribal Associations, and directing increased marketing to low-income customers residing in rural areas of San Diego County.

¹⁵ LIHEAP is a federally funded program to help eligible low-income households meet their home heating and/or cooling needs. The federal Department of Health and Human Services provides block grants to the states to fund the program. In California, the state Department of Community Services and Development administers the LIHEAP program.

SDG&E's 2005 budget request for its EELI workshop program is \$0.268 million. With that funding SDG&E plans to provide energy education to 20,000 low-income customers in various languages including English, Spanish, African languages, Vietnamese, Laotian, Middle Eastern languages and some Eastern European languages.

b) Marketing and Outreach

SDG&E notes that it will continue to enhance its LIEE outreach efforts by using an outside marketing firm to contact existing CARE program customers in its service territory, and schedule appointments for home energy efficiency assessments for these customers. It estimates that in this way it reached 5,352 low-income customers over a two-month time frame in 2003, and spent \$43,000. Of this number, 1,263 (26.3 percent) low-income customers' homes were weatherized. SDG&E also outsources "program field activity" – which includes program outreach – to an "outside prime contractor."

c) Cool Zone Program

SDG&E offers a Cool Zone program that is similar to SCE's Cool Center program.¹⁶ Indeed, SDG&E's program offers an improvement over SCE's because all people receiving the service are income qualified¹⁷ older adults or

¹⁶ In Resolution E-3873, dated July 8, 2004, the Commission conditionally approved SDG&E's Cool Center Program as a CARE outreach expense for 2004 and required SDG&E to distribute coded care applications and outreach materials at the Centers and track CARE applications received from these Centers and provide the results to the Energy Division. This approval was granted on a one-time basis only.

¹⁷ According to SDG&E, these customers are qualified for LIEE (because it has broader eligibility criteria of 200% of federal poverty guidelines for seniors and disabled customers), but may not qualify for CARE, with income requirements set at 175% of federal poverty guidelines.

persons with disabilities. SDG&E's program was developed by the County of San Diego's Department of Aging and Independence Services to provide energy assistance services to these community members. However, like SCE, SDG&E uses energy efficiency funding to provide transportation to the sites.

SDG&E does not wish to fund Cool Zones with a new rate element. It states that the cost for the program will only be \$55,000 annually, and that "it would be imprudent for SDG&E to establish a separate Cool Zone rate component to recover approximately 0.002% of SDG&E's total electric revenue." It states that the rate charged would be approximately \$0.0000029 per kilowatt hour – a rate that would require SDG&E to adjust its computer system to reflect seven decimals. It states that the reprogramming costs alone would be \$150,000 (three times the cost of the program itself). SDG&E asks us instead to allow it to charge Cool Zone program expenses to the Energy Education component of its LIEE program.

d) Carbon Monoxide/Natural Gas Appliance Testing Budget

SDG&E's budget request allocates a \$150,000 increase to carbon monoxide (CO)/natural gas appliance testing (NGAT). As we discuss in the section entitled "Issues Generic to Utility CARE/LIEE Applications," below, we will not allow the IOUs to fund CO/NGAT testing out of PGC funds. Rather, CO/NGAT testing is a basic utility service that should continue to be funded by utility base rates. Therefore, we disallow SDG&E's proposed \$150,000 increase.

Moreover, SDG&E states that it estimates it will spend \$353,100 in 2005 for CO/NGAT testing in the 10,700 homes it plans to weatherize in 2005 (at an estimated cost of \$33 per test). We also disallow this funding to the extent

SDG&E seeks it from the PGC surcharge, because all such funding comes from base rates.

e) AEAP Issues

SDG&E includes within its LIEE budget for 2005 \$0.222 million (\$222,000) for “performance incentives” – essentially, shareholder profits – associated with its program. As the scoping memo for this proceeding indicated, performance incentives are outside the scope of this proceeding, and shall be decided in the AEAP. We thus remove the \$0.222 million figure from SDG&E’s requested LIEE budget and defer consideration of the appropriateness of that request to the AEAP proceeding being handled by ALJ Meg Gottstein.

2. ORA’s Comments on SDG&E’s LIEE Proposal

a) Funding of CO/NGAT Testing

ORA opposes SDG&E’s request to fund CO/NGAT testing out of PGC funds. When SDG&E first suggested at the prehearing conference that it wished to change the *status quo* for this funding – which currently funds testing out of base rates – the ALJ required SDG&E to justify the change. ORA states that SDG&E has failed to provide such justification or explain why ratepayers would benefit from a change in the *status quo*. ORA points out that PG&E does not seek such a change. ORA seeks further justification from SDG&E. We discuss this issue in the section entitled “Issues Generic to Utility CARE/LIEE Applications,” below.

b) Pilot Air Conditioning Maintenance Measure

ORA supports SDG&E’s proposal – which is the same as that of the other IOUs – that the Standardization Team study LIOB’s suggestion to add a pilot air conditioning maintenance measure to the mix of LIEE measures the IOUs may

offer. As we state in the section entitled “Issues Generic to Utility CARE/LIEE Applications,” below, we agree with this approach.

c) Go-Backs

ORA notes that in its application, SDG&E suggests that the Commission refer the “go-back” rules discussed in connection with PG&E’s application to the Standardization Team. As we state in the section entitled “Issues Generic to Utility CARE/LIEE Applications,” below, we agree with this approach.

d) Energy Education Workshops

ORA questions whether SDG&E’s energy education workshops (its EELI program, for which it seeks funding of \$0.268 million) are a good use of funds. It states that the workshops are held at community based organization (CBO) facilities in neighborhood locations. ORA questions whether these workshops are aimed exclusively at low-income customers, and suggests they be part of the standardized measure assessment process that the Standardization Team carries out. In this way, states ORA, SDG&E will be required to demonstrate how the workshops fit within LIEE requirements.

In its reply comments, SDG&E states that its energy education workshops are permitted by prior Commission order, that they are targeted only to low-income customers, that they are effective based on survey data SDG&E has obtained, and that they comport with certain requirements of Pub. Util. Code § 327 pertaining to energy savings and job skill development.

3. Discussion of SDG&E’s LIEE Proposal

a) Marketing and Outreach

It has been our understanding that SDG&E uses CBOs to carry out marketing and outreach services to gain LIEE customers. However, in its

application, SDG&E notes that it is using a private outside marketing firm. While the results the firm has achieved are impressive – reaching 5,352 CARE customers and providing 1,263 of those customers LIEE weatherization services, with a \$43,000 expenditure – we wish to ensure that SDG&E’s marketing firm, the prime contractor that performs outside field activity, and its CBO partners are not duplicating efforts.

Therefore, within 60 days of the effective date of this decision, SDG&E shall make a compliance filing outlining how the outreach efforts of each party differs, and establishing that these parties are not duplicating efforts and that SDG&E’s LIEE outreach is performed efficiently. We delegate to the ALJ and Energy Division authority to follow up appropriately once SDG&E makes its filing.

b) Cool Zones

We will allow SDG&E to offer its Cool Zones program as a 2005 pilot, but will limit funding to direct energy efficiency services. As we discuss in connection with SCE’s program, utility ratepayers shall not fund other expenses such as site overhead, transportation, staff salaries, and food/beverage service. SDG&E shall conform its funding to this requirement.

We understand SDG&E’s concern about establishing a new rate element for its Cool Zone program, and will therefore treat SDG&E’s program consistently with our decision on SCE’s Cool Centers in all respects. SDG&E should fund its Cool Zones program as part of its CARE outreach budget.

c) Energy Education Workshops

We generally prefer the utilities to deliver energy education at the “point of sale” – to customers in their homes. In this way, the education immediately results in installation of measures and, consequently, energy savings. However,

as SDG&E points out, it has offered energy education in the same way for years, and we do not believe we have enough of a record to discontinue its program at this point. We do agree with ORA, however, that because SDG&E delivers the workshops at CBOs rather than in customers' homes, the workshops may be less effective than in-home presentations. We therefore agree that the workshops should be assessed as part of the Standardization Team's next measure assessment process, and so order.

d) AEAP Performance Incentives

As noted above, SDG&E's request for \$0.222 million in performance incentives as part of its 2005 LIEE budget is outside the scope of this proceeding, and we disallow it.

D. SoCalGas' LIEE Proposal

1. SoCalGas' Proposal

For 2005, SoCalGas proposes a budget increase to \$35.767 million for its LIEE program. We authorized a budget of \$34,521,502 for SoCalGas for 2004. It requests an increase of \$1.245 million for 2005 to fund DAP-related NGAT testing by transferring this amount from base rates, and to use \$555,000 of its LIEE budget for CO testing. Additionally, SoCalGas has \$2.1 million in unspent carryover funds from prior years.

SoCalGas' LIEE program consists of two elements: the DAP and the Energy Education Workshops. DAP includes three major program elements: basic weatherization services, appliance repair and replacement services, and in-home energy education. Based on its proposed funding level, SoCalGas estimates that it will provide in-home energy education for approximately 40,000 homes, weatherize 40,000 homes, replace 1,500 water heaters, and replace or repair 9,000 natural gas furnaces. SoCalGas also plans to provide energy

education to 20,000 low-income customers through workshops that take place outside the customer's home. SoCalGas outsources many of its services to community based organizations, private contractors and subcontractors, and does not plan to change this arrangement in 2005.

SoCalGas summarizes its 2005 LIEE proposal as follows:

TABLE 8		
2005 PROPOSED LIEE BUDGET		
SOUTHERN CALIFORNIA GAS		
ENERGY EFFICIENCY		
Gas Appliances		\$ 8,020,500
Electric Appliances		0
Weatherization		15,949,814
Outreach / Assessment / Marketing		4,600,000
In-Home Energy Education		600,000
Education Workshops		420,000
Energy Efficiency Total		<u>\$29,590,314</u>
LANDLORD CO PAYS		
Air Conditioner Replacement - Central		0
Air Conditioner Replacement - Room		0
Refrigerator (CoPay)		0
Landlord Co Pays Total		<u>\$0</u>
PILOTS		
Cool Center 3		0
Cool Zones		0
LIHEAP Leveraging		0
Natural Gas Appliance Testing (NGAT)		1,800,000
Pilots Total		<u>\$1,800,000</u>
OTHER PROGRAM ACTIVITIES		
Training Center		325,000
Inspections		1,132,919
Advertising		281,000
Measurement & Evaluation (M&E)		60,000
Regulatory Compliance		230,000
Other Administration		1,669,642
Other Program Activities Total		<u>\$3,698,561</u>
Oversight Costs – CPUC Energy Division		<u>\$36,000</u>
TOTAL LIEE PROGRAM PROPOSALS		<u>\$35,124,875</u>
Indirect Costs		641,628

Indirect Costs are not charged to LIEE program

2. ORA's Comments on SoCalGas' LIEE Proposal

ORA addresses three aspects of SoCalGas' LIEE proposal. First, it opposes allowing SoCalGas to recover the cost of CO testing from the LIEE budget. As we discuss in the Section entitled "Carbon Monoxide Testing/Natural Gas Appliance Testing," below, we agree that such testing should come from base rates rather than from the special funding earmarked for LIEE programs. We thus reject SoCalGas' request for an increase to its LIEE budget of \$1.245 million to fund DAP-related CO testing. As ORA points out, SoCalGas also proposes to use \$555,000 of its 2005 budget (in addition to the extra \$1.245 million) for CO testing, and we also disallow this request.

Second, ORA agrees with SoCalGas' recommendations to add a pilot program to evaluate the addition of service and maintenance of electric central air conditioning systems to the DAP program measure mix. We discuss this issue in several other places, and do not reiterate our discussion here.

Third, ORA asks the Commission to examine the appropriateness of conducting general energy education workshops as part of the LIEE program. ORA notes that these workshops are held at CBO facilities at neighborhood locations. As it does for SDG&E's similar workshops, ORA questions whether these workshops are limited to low-income customers, as is required for any program receiving LIEE funding. ORA suggests that the workshops undergo the standardized measure assessment process, as does any other LIEE measure or service. ORA recommends that the Commission either ask SoCalGas to provide supplemental information to indicate how these workshops fit within the LIEE DAP program, or indicate that such assessment is required for the 2006 program year.

In reply comments, SoCalGas explains that the Commission authorized the type of energy education program SoCalGas offers in 1989, and that SoCalGas has provided essentially the same program since then. It objects to elimination of the program after such a long run. It lists the CBOs offering the service, all of which serve low-income customers. It explains that Pub. Util. Code § 327, which requires the utilities to “work with state and local agencies, community based organizations and other entities” and “encourage local employment and job skill development,” supports SoCalGas’ service model.

3. Discussion of SoCalGas’ LIEE Proposal

We approve SoCalGas’ funding with one exception. As noted previously, and in the section entitled “Carbon Monoxide Testing/Natural Gas Appliance Testing,” below, we will continue to require SoCalGas (and the other utilities) to fund CO testing through base rates. Thus, we disallow SoCalGas’ request for a \$1.245 million budget increase, and \$555,000 of its \$35.767 million budget request for 2005 for carbon monoxide or other natural gas appliance testing.

We address each of the other issues ORA raises – the pilot air conditioning maintenance project and energy education workshops – elsewhere. We will not eliminate SoCalGas’ energy education workshops at this time, but we agree with ORA that the workshops should be assessed as part of the Standardization Team’s measure assessment process. Issues to be addressed should include whether SoCalGas’ (and SDG&E’s) energy education workshops serve only eligible low-income customers, and whether workshops offered in a community setting – rather than in-home – are effective in creating the opportunity for energy savings.

IV. IOUs' Proposed 2005 CARE Programs

The CARE program subsidizes rates of low-income customers. The IOUs receive reimbursement on a dollar-for-dollar basis of all bill subsidies, so the primary issue before us here is the level of their administrative costs to run the CARE programs for 2005.

We authorize the following large IOU CARE administrative budgets for 2005:

TABLE 9				
AUTHORIZED PY 2005 CARE BUDGETS				
	PG&E	SCE	SoCalGas	SDG&E
Outreach	\$3,850,000	\$ 1,633,000	\$ 2,402,750	\$ 1,631,727
Automatic Enrollment	150,000	60,000	30,000	21,200
Proc., Certification & Verification	2,100,000	600,000	925,334	227,269
Bill System / Programming	150,000	557,000	265,045	72,800
Measurement & Evaluation	487,000	58,000	393,560	320,700
Regulatory Compliance	170,000	50,000	163,306	123,872
General Administration	450,000	1,063,000	297,315	177,314
Low Income Oversight Board	0	0	0	0
CPUC Energy Division	100,000	82,700	83,000	50,000
Total CARE Expenses	\$7,457,000	\$ 4,104,000	\$ 4,560,310	\$2,624,882
Subsidies & Benefits	191,300,000	168,100,000	75,315,876	32,907,285
Total Program Costs and Discounts	\$198,457,000	\$172,204,000	\$79,876,186	\$35,532,167

A. SCE's Proposed CARE Program**1. SCE's Proposal**

SCE estimates its planned 2005 CARE subsidies at \$168.1 million (as compared to actual subsidies for 2002 of \$96.5 million, 2003 of \$136.4 million, and planned subsidies for 2004 of \$167.2 million). SCE attributes the increase in planned subsidies for 2005 to two factors. First, it notes that increased numbers of customers are participating in the CARE program. Its CARE participation increased in 2003 to an annual average of 838,409 customers from 748,890 in 2002. Second, the "PROACT" settlement the Commission adopted in D.03-07-029

lowered rates by 8% on average. The difference between regular rates and CARE subsidized rates formerly was the result of a specific exemption adopted by the Commission. In post-PROACT rates, however, the differences simply became part of the CARE subsidy, increasing the subsidy amount.¹⁸

SCE's proposed CARE administrative budget of \$4,104,000 breaks down as follows:

TABLE 10 2005 CARE PROPOSED PROGRAM BUDGET SOUTHERN CALIFORNIA EDISON	
CARE PROGRAM:	Budget Total
Outreach	
Capitation Fees	\$ 94,000
Other Outreach	1,500,000
Special Program Activities	39,000
Subtotal – Outreach	1,633,000
Automatic Enrollment	60,000
Processing / Recertification / Verification / Billing	600,000
Billing System – System Development & Enhancement - IT	557,000
Measurement & Evaluation	58,000
Regulatory Compliance	50,000
Other Administrative	1,063,300
Oversight Costs – CPUC Energy Division Staff	82,700
TOTAL ADMINISTRATIVE COSTS	\$ 4,104,000
TOTAL CUSTOMER SUBSIDIES	\$168,100,000
TOTAL ADMINISTRATIVE COSTS w/SUBSIDIES	\$172,204,000
Indirect Costs	\$ 350,000

Indirect costs are not charged to CARE program.

¹⁸ This information is contained in data request responses SCE served on ORA and filed with its August 23, 2004 *Reply Comments of Southern California Edison Company ... to the Limited Protest of the Office of Ratepayer Advocates and Motion to Supplement Application 04-07-012 (SCE Reply)*. We admit those data request responses, identified as Exhibits SCE-2 and SCE-3, into the record of this proceeding.

Indirect costs are not charged to the CARE program. SCE states that there is a shrinking pool of remaining CARE-eligible but non-participating customers in its territory, requiring increasingly sophisticated outreach to reach these customers. SCE also believes it needs to reduce the percentage of customers that are removed from the program during the recertification process. (After two years in the CARE program, customers must recertify their financial eligibility. The recertification process requires active efforts by customers and thus causes customers who fail to respond to requests for recertification to fall off of the rolls.) SCE states that its 2005 CARE program is designed to develop automated systems that more accurately track how customers enroll in CARE, including language preference at the time of initial enrollment, so that SCE may direct highly targeted communications to customers when it is time for them to recertify.

Because the remaining CARE eligible pool is shrinking, and SCE wishes to automate its recertification process, SCE projects an increase in its 2005 CARE administrative budget to \$4,104,000 from \$2,882,838 in 2004 and \$3,078,338 in 2003.

SCE also proposes \$60,000 for automatic enrollment efforts. This budget item refers to the Commission's effort in D.02-07-033 to make enrollment in the CARE program automatic for customers receiving public benefits from the Medi-Cal, Healthy Families; Women, Infants and Children and state Department of Community Services and Development (DCSD) Energy Assistance programs.

The Commission has implemented an automatic enrollment program for recipients of DCSD energy assistance programs, but efforts to implement automatic enrollment for recipients of other public benefits as envisioned in D.02-07-033 have not yet been successful. California's Department of Health and

Human Services (DHS), the state agency that implements the federal Medi-Cal program, explained that the federal Social Security Act, as well as the related Code of Federal Regulations, prohibits DHS from releasing client information to the CPUC, even for purposes of providing a CARE discount, unless it has the client's explicit permission.¹⁹ Commission staff encountered similar privacy obstacles in attempting to obtain client information from other programs.

SCE collaborates with SoCalGas to electronically share CARE participant data to enroll customers in each utility's program. In 2003, according to SCE, 37,079 customers were enrolled in CARE through this ongoing effort. From January 2004 through May 2004, SCE added 16,250 new customers. SCE has also worked with Southwest Gas Company to electronically share CARE participant data. SCE added over 13,000 new customers from January through May 2004 as a result of the first file transfer with Southwest Gas, and anticipates smaller incremental increases through further transfers.

SCE proposes no changes to its currently-approved CARE ratemaking. SCE currently recovers the CARE administrative revenue requirement through the Public Purpose Programs Charge rate component. Under-collections recorded in the CARE balancing account are recovered from customers. Over-collections are used to reduce future funding requirements. In SCE's annual August 1 Energy Resource Recovery Account forecast, SCE will set forth its

¹⁹ DHS cited 42 U.S.C. § 1396(a), 42 C.F.R. §§ 431.300-431.302. In addition, § 14100.2(a) of the California Welfare and Institutions Code provides that Medi-Cal information must be maintained as confidential, and § 14100.2(h) provides that disclosure of confidential Medi-Cal information is a misdemeanor.

consolidated revenue requirements for subsequent Public Purpose Program rate adjustments.

2. ORA's Comments on SCE CARE Application

First, ORA asks for more information on SCE's CARE subsidy costs, which SCE estimates at \$168.1 million for 2005:

Though the Commission does not limit the CARE subsidy, an estimate of the subsidy is helpful in estimating total CARE budgets and calculating appropriate CARE surcharge costs. ORA is concerned that SCE's subsidy costs have increased more quickly over the past several years than can be explained by increases in [the number of customers enrolled in CARE].²⁰

ORA nonetheless does not object to the change in projected CARE subsidies if SCE can support its request with data.

In its reply comments, SCE supplemented the record with the requested information. According to those comments, when SCE furnished the data request responses to ORA, ORA stated that, "an initial review of the response appears to satisfactorily explain the increases."²¹

3. Discussion of SCE CARE Application

With a few exceptions described below, we find SCE's CARE administrative budget reasonable. We also find that SCE has reasonably projected its anticipated CARE subsidy for 2005, and explained why the subsidy will increase. We approve SCE's 2005 CARE administrative budget.

²⁰ *ORA SCE Protest*, at 3.

²¹ *SCE Reply*, at 4. We grant SCE's motion to supplement the record with the materials appended to the SCE Reply.

a) Estimated CARE Subsidy

As noted above, ORA is now satisfied with SCE's estimated CARE subsidy of \$168.1 million for 2005. We note that the CARE subsidy projection is important because we set the surcharge that appears on non-CARE customers' bills based on these projections. Significant errors in projected subsidies can cause over- (or under-) collection, and obviously affects what ratepayers pay in public goods charges on their bills. Nonetheless, we are satisfied that SCE has adequately projected its CARE subsidy payments for 2005.

b) CARE Administrative Budget

SCE's 2005 proposed CARE administrative budget is \$4,104,000, the same as its 2004 budget, as noted in the following chart:

TABLE 11		
SCE 2003 and 2004 Authorized CARE Administrative Budgets		
Cost Category	2003	2004
Outreach	\$ 840,840	\$ 1,633,000
Automatic Enrollment	\$ -	\$ 60,000
Processing/Certification/Verification	\$ 520,798	\$ 600,000
Billing/Programming	\$ 500,000	\$ 557,000
Measurement/Evaluation	\$ 344,000	\$ 58,000
Regulatory Compliance	\$ 80,000	\$ 50,000
General Administration	\$ 464,500	\$ 1,063,300
Indirect Costs	\$ 82,700	
Energy Division	\$ 195,500	\$ 82,700
LIOB	\$ 50,000	
Total Administration	\$ 3,078,338	\$ 4,104,000

We note that the expenses listed in SCE's "General Administration" category are much higher than those of PG&E, SoCalGas and SDG&E. This comparison is most apparent if one examines Table 3 of this decision, where PG&E's CARE "General Administration" budget is \$450,000, SCE's is \$1,063,000,

SoCalGas' is \$297,315 and SDG&E's is \$177,314. However, we are satisfied that SCE's expenses are warranted this year, with conditions, as discussed below.

Included in the General Administration expenses for SCE are funds for additional staff because of increased program activity. SCE also allocates funds to update its computer system for LIEE/CARE programs, add new computers designated for CARE only, and purchase printers. The other IOUs are not measurably expanding their employee base or adding computers in 2005. PG&E updated its computer system 2 years ago and spent a considerable amount of money for the dedicated system, which tracks LIEE/CARE information.

Moreover, SCE's program is expanding because the company is now receiving referrals from SoCalGas and Southwest Gas. Therefore, in 2005, SCE will have a larger customer base than it had before. Further, SCE's low-income group will now handle its own financial and other reporting – matters that another SCE unit prepared in the past.

With increased enrollment and more referrals from utilities that provide gas service to SCE's customers, SCE will incur greater costs tracking these customers, ensuring they are enrolled in and recertified for CARE, and randomly verifying the new CARE customers for CARE eligibility. Therefore, we are satisfied that SCE's "General Administrative" costs are reasonable.

However, we will require SCE to document that it actually hires the proposed new employees and installs the planned new computer equipment and upgrades. During 2005, but in no event after the end of the year, SCE shall make a compliance filing documenting its new hires and computer upgrades once these processes are near completion.

c) Automatic Enrollment

It is unclear whether SCE's budget for automatic enrollment recognizes the limited success of the program due to DHS' confidentiality concerns. Given the modest amount budgeted, and the fact that SCE acknowledges that automatic enrollment negotiations have resulted in an agreement only with the DCSD, we assume SCE has done so. We direct SCE to reevaluate its budget request for automatic enrollment to ensure that the budget only includes amounts for transactions involving DCSD records. If the budget includes other amounts, SCE shall furnish this information to the Energy Division for review. We authorize the Assigned Commissioner to approve a revised budget for this item if appropriate.

B. PG&E's 2005 CARE Program**1. PG&E's Proposal**

PG&E proposes a CARE administrative budget of \$7.457 million, which reflects a \$151,148 increase over its 2004 administrative budget. PG&E attributes this increase to costs associated with the new CARE automatic enrollment program recently ordered by the Commission. PG&E explains that it has added close to 100,000 new CARE customers to its rolls based on the order through coordination with the state DCSD. (As noted above, attempts to achieve coordination with other federally funded programs such as Medi-Cal encountered confidentiality concerns from DHS.)

PG&E also automatically enrolls eligible customers under informal agreements with several neighboring utilities. It began a data exchange with SCE and SoCalGas in 2004.

PG&E notes that while there are now more than twice as many CARE customers enrolled since outreach efforts started in 2001, PG&E does not need to

apply for additional administrative funds because “we have captured efficiencies through process improvement.”²² It details those processes at length in its application.

PG&E proposes to continue the adopted methodology for incorporating in rates the electric and gas CARE balancing account balances for 2005. It states that “in a future proceeding” it will consolidate the electric revenue requirement change authorized in this proceeding in a proposal to change PPP rates and total rates. It will consolidate the gas revenue requirement change we authorize here into gas PPP rates in its annual true-up or the next Biennial Cost Allocation Proceeding.

2. ORA’s Comments on PG&E’s CARE Application

ORA initially recommended further review of PG&E’s estimated CARE subsidy costs, which PG&E does not list in its application. PG&E provided a table of past and future estimates of CARE administrative costs, but did not provide an estimate of CARE subsidy costs for 2004 or 2005. ORA noted that an estimate of the subsidy is helpful in estimating total CARE budgets and calculating appropriate CARE surcharge costs.

ORA therefore sent a data request on this issue to PG&E, and in response, PG&E estimated CARE subsidies of \$162 million in 2004 and \$174 million in 2005. ORA still contended PG&E should supplement the record with further explanation of how it arrived at these subsidy levels.

²² *Application of Pacific Gas and Electric Company . . . for Approval of the 2005 California Alternate Rates for Energy and Low Income Energy Efficiency Programs and Budget*, filed July 1, 2004, tab C, p. 3-1.

In response, PG&E provided further information on its estimated subsidy levels. It explained that the rise in the subsidy from 2004 to 2005 is attributable in large part to a rise in the CARE gas subsidies, as well as to a rise in CARE participation. For the increase attributable to gas, PG&E based the projected rise in subsidies on the rise in its gas rates from 2004 to 2005.

3. Discussion of PG&E CARE Application

We approve PG&E's CARE application as set forth. We discuss two issues more specifically below.

a) Automatic Enrollment

We commend PG&E and the other utilities for efforts they have made to date to accommodate Commission orders regarding automatic enrollment. Automatic enrollment causes large numbers of eligible customers to enroll in the program at limited expense. We plan to continue examining how to expand the program going forward, through arranging for specific customer consent or other methods. In the meantime, the Commission has ordered the IOUs to automatically enroll customers whose data we have received from the DCSD. We grant PG&E \$151,148 in its CARE administrative budget to cover this expense.

b) Subsidy Estimate

PG&E has adequately explained its CARE subsidy through the supplement to its application. PG&E shall furnish similar information, including the level of detail it furnished in its supplement, in future applications. ORA is correct that while we do not cap the subsidy because it fluctuates year to year with energy usage and prices, each utility must provide an accurate estimate so that we can correctly set the surcharge amount. It is not fair to ratepayers to over- or under-assess this important component of the public purpose surcharge.

C. SDG&E's 2005 CARE Program

1. SDG&E's Proposal

SDG&E proposes a CARE administrative budget of \$3.329 million for 2005, the same authorized budget as 2004,²³ and estimates a CARE subsidy cost of \$32.9 million for the year. Its costs are allocated 23% from the gas side of SDG&E's operations, and 77% from the electric side. This is the same proportion as SDG&E used in 2003.

SDG&E does not anticipate any carryover funding from 2004 except with regard to M&E expenses. It states that for M&E, some of the tasks the Commission intended to complete in 2004 will be carried over into 2005: "As there is uncertainty as to when billings for the [CARE Management and Financial Audit]²⁴ will occur, SDG&E has included the full amount of the cost in its 2005 budget. If audit costs are incurred in 2004, then the amount projected for 2005 should be reduced commensurate with the actual amount paid in 2004."²⁵ This audit has been postponed and the contract to conduct the audit cancelled.

As of the end of May 2004, SDG&E had 187,113 customers enrolled in its CARE program, an increase of approximately 6,100 or 3.4% over year-end 2003. With \$1.632 million in funding for outreach from its 2005 CARE administrative budget, SDG&E hopes to add 21,000 new customers by the end of 2005. SDG&E

²³ D.02-09-021, ordering paragraph 2 and conclusion of law 1.

²⁴ *Id.*, ordering paragraph 8.

²⁵ *Application of San Diego Gas and Electric Company ... for Approval of Program Year 2005 Low-Income Assistance Programs and Funding*, filed July 1, 2004, at p. CAR-8.

proposes to spend \$21,000 on automatic enrollment of clients served by the DCSD's LIHEAP program.

The following is a more detailed summary of SDG&E's proposed CARE administrative budget:

TABLE 12 2005 CARE PROGRAM PROPOSED BUDGET SAN DIEGO GAS & ELECTRIC	
	SDG&E
Outreach	\$ 1,631,727
Automatic Enrollment	21,200
Proc., Certification & Verification	227,269
Bill System / Programming	72,800
Measurement & Evaluation	320,700
Regulatory Compliance	123,872
General Administration	177,314
Low Income Oversight Board	1,000
CPUC Energy Division	50,000
Total CARE Expenses	\$2,625,882
Subsidies & Benefits	32,907,285
Total Program Costs and Discounts	\$35,533,167
Indirect Costs	703,154

Indirect Costs are not charged to CARE program

2. ORA's Comments on SDG&E's CARE Proposal

ORA recommends (as it does with regard to SoCalGas) that the Commission deny SDG&E's request to include funding in its CARE outreach budget for customer call center staff. ORA states that call centers receive funding through base rates, so it is not clear whether the activities are incremental CARE costs. ORA also notes that other utilities such as PG&E and SCE do not specifically mention using CARE outreach money for their call center operations.

In its August 23, 2004, response to ORA's protest, SDG&E states that funding for CARE activity was not included in SDG&E's 2004 cost of service

application. In a supplemental response filed October 7, 2004, SDG&E states that it has been including call center costs in its CARE administrative budget since 1989 in accordance with D.89-09-044 (at p. 11).

3. Discussion of SDG&E's CARE Proposal

a) Call Center Costs

In D.02-09-021, we required that that all low-income program costs funded from the public goods charge be incremental costs: "We have ... given the utilities clear direction that the administrative costs booked to low-income assistance balancing accounts must be 'incremental' costs, *i.e.*, not provided for in the utility's base rates."²⁶ Where a cost is one the utility would have to incur regardless of the presence of the low-income programs, it should be funded in base rates, rather than by the limited/earmarked PGC surcharge. SDG&E must have call center staff regardless of whether or not it offers the CARE program.

Moreover, contrary to SDG&E's claim that D.89-09-044's adoption of the LIRA program (CARE's predecessor) implicitly authorized recovery of call center costs from the low-income surcharge, D.89-09-044 states the following:

*LIRA program administrative costs shall be recovered in the utilities' base rates, rather than in the LIRA surcharge, in the general rate case following at least one reasonableness review of LIRA administrative costs in the LIRA revision proceeding.*²⁷

Thus, it is not correct that D.89-09-044 stands for the proposition that SDG&E may recover call center costs from PGC funds. Rather, D.89-09-044 contemplates

²⁶ 2002 Cal. PUC LEXIS 552, at *18.

²⁷ 1989 Cal. PUC LEXIS 429, ordering paragraph 11.

that all LIRA administrative costs be recovered in base rates. While the Commission later softened this stance and allowed recovery of incremental CARE administrative costs from the PGC, D.89-09-044 does not support SDG&E's claim with regard to call center costs.

We have also expressed our desire that the utilities account for low-income program costs consistently, and ORA points out that while SDG&E and SoCalGas ask for call center costs from PGC funds, the other large utilities do not. As we noted in D.02-09-021, "The submittals in this proceeding convince us that the utilities are still not employing consistent accounting conventions for recovering or reporting CARE administrative costs." There, we ordered that the Commission's Energy Division audit these expenses due to the inconsistency.²⁸

It is crucial to our ability to assess the comparability and cost effectiveness of each IOU's program that they charge their program expenses consistently. If one IOU includes call center costs in its public goods charge-funded budget while the other IOUs do not, it will be impossible for us to compare how cost effectively the IOUs are accomplishing their mission.

SDG&E should not include call center costs in its CARE administrative budget. It has not established that such costs are incremental – *i.e.*, that it would not have to incur them but for the presence of the CARE program. Nor does it appear that SDG&E's treatment of such costs is consistent with what PG&E and SCE do, despite our requirement of consistency in the utilities' accounting for low-income programs.

²⁸ 2002 Cal. PUC LEXIS 552, ordering paragraph 8.

It is clear, however, that SDG&E has accounted for certain call center costs in the same way since 1989. We do not wish our cost disallowance here to disrupt the CARE program in any way, or result in a reduction in efforts to support the program. Thus, while we disallow the call center funding from PGC rates, SDG&E will continue to recover in base rates the call center costs we disallow here.

4. CARE Management and Financial Audit

As noted above, the Commission has cancelled the contract for the CARE Management and Financial Audit ordered in D.02-09-021. Thus, SDG&E should not budget in 2005 for the audit. Within 60 days of the effective date of this decision, SDG&E and other IOUs with similar budgets shall file a compliance advice letter backing out such funding.

5. Low Income Oversight Board (LIOB)

SDG&E included expenses for the LIOB. No LIOB expenses are funded through the PGC fund.²⁹

D. SoCalGas' 2005 CARE Program

1. SoCalGas' Proposal

SoCalGas proposes a CARE budget of approximately \$80 million in 2005, with \$4.7 million in administrative costs and \$75.3 in direct subsidies to CARE eligible customers. The subsidy amount includes \$72 million for bill subsidies and \$3.3 million for discounts to the gas connection charge.

²⁹ Pub. Util. Code § 382.1(3) and Resolution L-301, dated August 22, 2002 state: "All reasonable costs incurred by the Board, including staffing, travel and administrative costs, shall be reimbursed through the public utilities reimbursement account and shall be part of the budget of the Commission..."

SoCalGas' CARE administrative budget breaks down as follows:

TABLE 13 2005 CARE PROGRAM PROPOSED BUDGET SOUTHERN CALIFORNIA GAS	
	SoCalGas
Outreach	\$ 2,402,750
Automatic Enrollment	30,000
Proc., Certification & Verification	925,334
Bill System / Programming	265,045
Measurement & Evaluation	534,560
Regulatory Compliance	163,306
General Administration	297,315
Low Income Oversight Board	1,000
CPUC Energy Division	83,000
Total CARE Expenses	\$ 4,702,310
Subsidies & Benefits	75,315,876
Total Program Costs and Discounts	\$80,018,186

SoCalGas' CARE administrative budget was \$4.7 million in 2003.³⁰ While SoCalGas wishes to maintain the same overall budget level during 2005, it states that it seeks to reallocate costs within various categories to place greater emphasis on customer outreach. It wishes to spend \$2.4 million in outreach costs in 2005, as compared to \$2.5 million for outreach in 2004. SoCalGas explains:

in order to embrace the Commission's goal to enroll all eligible customers who wish to participate in the CARE program, SoCalGas is constantly seeking new methods to make more customers aware of and enrolled in CARE As experienced in 2003 and 2004, the fewer the number of eligible customers remaining to enroll, the more difficult it is to reach them to maintain the same enrollment growth rate.

³⁰ D.02-09-021, ordering paragraph 2.

2. ORA's Comments on SoCalGas' CARE Proposal

ORA questions whether the Commission should grant SoCalGas \$453,000 for customer contact center (*i.e.*, customer service) staff as part of its CARE administrative budget. We discuss this issue in full in connection with SDG&E's CARE administrative budget application and do not repeat that discussion here.

We disallow call center costs as part of CARE funding because such costs are not incremental to LIEE activity and are already fully funded in base rates.

3. Discussion of SoCalGas' CARE Proposal

a) Outreach Budget Increase

As noted, SoCalGas seeks to increase its outreach budget (while not changing its overall CARE administrative budget over the 2004 level) in order to place greater emphasis on customer outreach. It is not surprising that recruitment from an ever-smaller pool of eligible customers might require greater effort and an increased budget. We acknowledged the difficulty of recruiting new CARE customers from a decreasing pool of eligible households not already on the program in D.02-07-033:

We also recognize that the law of diminishing returns applies to CARE outreach efforts over time, *i.e.*, it becomes increasingly difficult to enroll additional customers, the closer the utility moves towards achieving 100% participation.”³¹

Thus, we will allow SoCalGas to redistribute its budget in 2005 for CARE outreach as it requests, without increasing its overall CARE budget from the 2004 level.

³¹ D.02-07-033, 2002 Cal. PUC LEXIS 383, at *5.

b) Low Income Oversight Board

SoCalGas included expenses for the LIOB. LIOB costs are not deducted from the PGC funds and are therefore disallowed.³²

V. Issues Generic to Utility CARE/LIEE Applications**A. Two-Year Program Cycle**

Each of the IOUs asks the Commission to place them on a two-year program cycle. Under such a regime, the IOUs would receive LIEE and CARE budget approval for two-year blocks of time, rather than being required to reapply for such approval each year.

ORA does not oppose a two-year program cycle, but requests that the Commission require the utilities to file their applications closer to the beginning of the year than is ordinarily the case. While applications generally come in mid-year (the applications here were due July 1), ORA asks that the Commission 1) beginning with the applications for 2006-07 funding, change the application filing date to March 1 to allow parties more time for review and discovery, 2) require budgets and goals for each year individually, and 3) add to the utilities' existing reporting a requirement for an update comparing their year-end status to the goals adopted for that year in the last program and budget application proceeding, and noting any problems meeting these goals. ORA requests that the specific types of goals included in the applications, formats for reporting on these goals, and standards to ensure that applications include necessary information be developed in workshops.

³² See footnote 29.

We find reasonable the IOUs' request for a two-year program cycle, as modified by ORA's proposal, but believe the March 1 filing deadline is too early to allow utilities to project their programs for the following year. To give ORA and any other interested parties more time to evaluate the utilities' applications, we will require that the utilities file applications for 2006-07 funding no later than June 1, 2005. The utilities must separate their budgets and program goals for each year and participate in workshops to develop other application and reporting requirements. The utilities should schedule and conduct the workshops well before their applications are due and invite the LIOB members, the Energy Division, and the public to attend the workshops. If the IOUs have not done so by 60 days before the date their applications are due, ORA shall send an inquiry to the assigned ALJ for this proceeding referencing the workshop requirement. The parties, ORA and ED may opt to proceed without the workshop(s), but all must agree.

B. Cool Centers

We discuss Cool Centers at length in connection with SCE's LIEE/CARE application, and do not repeat the full discussion here. All utilities shall live by the decisions we make here with regard to SCE.

First, for 2005, the Cool Centers will be pilot programs funded by the IOUs' CARE outreach budgets.

Second, Cool Center budgets shall not include costs for rent, utilities, insurance, janitorial services or other overhead costs for Cool Center locations. These are fixed costs that the senior centers and other locations would incur even if cooling were not offered at the centers.

Third, Cool Center budgets shall not include funds for bus passes, vehicle rental, fuel costs or other transportation costs. The LIEE component of the PGC

is designed to fund energy efficiency measures and associated administrative costs alone. Transportation to locations to take advantage of such measures not in itself an energy efficiency measure, and we therefore disallow it.

Fourth, Cool Center budgets shall not cover the cost of personnel/staff at Cool Center locations. Cooling in itself is not an “activity” for which personnel is required. It is simply a comfort measure that benefits the centers as well as the low-income customers that use them. Thus, Cool Center locations shall bear their own staffing costs.

Finally, Cool Center budgets shall not include food and beverage costs. The addition of cooling measures at the centers should not change the other offerings made available to attendees, including food and beverages. Moreover, ratepayer funds should only cover the energy efficiency measures themselves.

C. Carbon Monoxide Testing/Natural Gas Appliance Testing Settlement

After installing certain gas appliances, the IOUs test them to ensure that they are not emitting carbon monoxide (CO), a dangerous chemical in certain concentrations. In D.03-11-020, the Commission required the IOUs offering gas service to use “a consistent set of CO thresholds in conducting certain flue CO tests for diagnostic purposes.” Before October 2004, PG&E on the one hand, and SoCalGas and SDG&E on the other³³ had different CO thresholds for these tests.

Therefore, the ALJ set an October 2004 hearing to sort out why the IOUs proposed thresholds were different and to develop a consistent set of thresholds. The ALJ indicated that she wished to set a threshold that was low enough to

³³ SCE is an all-electric utility and thus was not involved in this issue.

ensure customer safety but not so low as to require the utility unnecessarily to take large numbers of appliances out of service for emitting too much CO and falling above the threshold. The ALJ was concerned that an unreasonably low threshold could also harm customers by leaving them without heating or cooking appliances unnecessarily. Just before the hearing, the IOUs all agreed on consistent CO thresholds for this type of testing, and have since sought Commission approval of a settlement on this issue. We approve the settlement, with conditions, as discussed below.

In a November 15, 2004, motion for adoption of the settlement, the IOUs proposed that they each adhere to the following CO threshold levels:

TABLE 14 PROPOSED CO THRESHOLDS	
Appliance	Threshold Limit
Forced Air Unit	400 ppm ¹ air free ²
Floor Furnace	400 ppm air free
Gravity Furnace	400 ppm air free
Wall Furnace (BIV)	200 ppm air free
Wall Furnace (Direct Vent)	400 ppm air free
Vented Room Heater	200 ppm air free
Water Heater	200 ppm air free
Oven / Boiler	225 ppm as measured
Top Burner	25 ppm as measured (per burner)
Refrigerator	25 ppm as measured
Gas Log	25 ppm as measured
Gas Log	400 ppm air free in firebox

1/ Parts per million

2/ See definitions below

The parties explained that they could agree upon thresholds because new CO measurement devices now readily available on the market allow IOUs to obtain accurate CO readings. The IOUs explain that they currently use “single read” testing equipment that does not measure “air free” CO levels. “Air free”

levels are based on a mathematical equation (involving carbon monoxide and oxygen or carbon dioxide readings) to convert an actual diluted (“as measured”) flue gas carbon monoxide testing sample to an undiluted (“air free”) flue gas carbon monoxide level. The parties had differences over the manner in which “as measured” flue CO measurements were converted to “air free” flue CO levels.

The IOUs have determined that new “dual read” CO testing equipment is now available at a reasonable cost that will measure oxygen or carbon dioxide flue gas levels, along with carbon monoxide levels. Using these “dual read” meters, a gas appliance field technician is now able to determine the “air free” level of carbon monoxide in the flue, as well as the “as measured” CO levels. According to the IOUs, if the LIEE programs use these dual read meters to conduct flue testing, the measurements will be more precise and thus allow a better determination of the proper operation of affected gas appliances.

In accordance with the Commission’s settlement rule, Rule 51, on October 27, 2004, the IOUs served a notice of settlement conference, and on November 4, 2004, the IOUs held a settlement conference on the issue. No party appeared at the settlement conference to contest settlement, and no party objected to the settlement after the IOUs served their Rule 51 motion.

While the motion was pending, and at the settlement conference itself, the Energy Division made inquiries of the IOUs to verify the costs the settlement would entail. The Energy Division focused on whether the public goods charge should pay for the new, “dual read” CO testing devices, or whether the devices should be paid for from general rates. The Energy Division expressed its opinion to the IOUs that the cost of the equipment should be part of the IOUs’ general

rates, since CO safety testing is part of the general utility function and not specific to the LIEE program.

In data responses filed November 19, 2004, SDG&E indicated that it had purchased eight “dual read” devices with LIEE program funds, and that SDG&E subcontractors were using other devices purchased with their own funds. SDG&E later stated that, “the costs associated with the eight meters currently in the field were erroneously treated as public goods charge expenditures. They should have been reflected as operating and maintenance expenditures. SDG&E is making a correction to its accounting records.” SDG&E also forwarded the adjusting journal entries reflecting this accounting change.

SoCalGas stated that all devices used for its customers were purchased by subcontractors with their own funds. In an October 20, 2004, data response, SDG&E and SoCalGas indicated that they would need to purchase 47 (SDG&E – 7, SoCalGas – 40) dual read meters to reflect the number of licensed contractor crews performing gas appliance repairs and replacements for SDG&E and SoCalGas. They explained in an October 21, 2004, response that they would purchase these meters as the “single read” meters wore out. Finally, the IOUs together intimated in their October 21, 2004 data response that the “dual read” meters must be paid for out of LIEE funds: “The purchase and use of new dual read CO meters capable of doing flue CO tests is key to the settlement proposal.”

Read together, the data responses provide a somewhat confusing view of the IOUs’ position on who should bear the cost of the new dual read meters. On one hand, SDG&E reversed its billing of the eight meters it already possesses from an LIEE expense to general rates. On the other hand, the IOUs jointly state that purchase of the new meters is key to the settlement, while agreeing that “all

costs related to implementing the settlement will be accounted for in accordance with the Commission's 2005 LIEE program CO testing funding guidelines."³⁴

We believe that CO testing is a general utility function. Testing is performed after an appliance has been repaired or replaced to ensure that the appliance is operating safely. The testing standards should be consistent whether the utility is testing the appliance of a LIEE customer or a customer who has paid for his own appliance. Thus, we disagree with the IOUs to the extent – which is far from clear – that they are contending that LIEE funds must pay for the “dual read” meters. As we stated in D.02-09-021: “We have ... given the utilities clear direction that the administrative costs booked to low-income assistance balancing accounts must be ‘incremental’ costs, *i.e.*, not provided for in the utility's base rates.”³⁵ Safety testing (including the cost of testing devices) is – and should continue to be – provided for in the utilities' base rates.

In order for a settlement to be approved by the Commission, the settlement must be: (1) reasonable in light of the whole record, (2) consistent with law, and (3) in the public interest. Rule 51.1(e).³⁶

1. Reasonableness in Light of the Whole Record

First, the settlement accomplishes precisely what the Commission directed the parties to accomplish in D.03-11-020: it arrives at a consistent CO flue

³⁴ *Joint Motion of [PG&E, SDG&E and SoCalGas] Requesting Commission Approval of Proposed Settlement Establishing Uniform Low Income Energy Efficiency Gas Appliance Flue Testing Carbon Monoxide Threshold Levels*, filed Nov. 15, 2004 (*Settlement Motion*), at 5.

³⁵ 2002 Cal. PUC LEXIS 552, at *18.

³⁶ All rule citations are to the Commission Rules of Practice and Procedure, unless otherwise specified.

threshold for use by each IOU after an appliance is repaired or replaced. Thus, D.03-11-020 contemplated a negotiated agreement on consistent threshold levels, and the parties – albeit belatedly – have come to such an agreement.

Second, no party objects to the settlement, and nothing in the record indicates that the thresholds agreed upon present any safety hazards. Indeed, as the IOUs point out in their motion, the CO thresholds in the settlement are consistent with American National Standards Institute (ANSI) standards with minor exceptions. The IOUs propose to adopt ANSI Z21/83 air free standards for all appliances for which there are applicable standards except for range top burners and ovens/broilers. For those appliances, the IOUs adopt consensus flue testing CO thresholds because ANSI laboratory conditions cannot be replicated in the field. The IOUs also adopt consensus flue testing CO thresholds for appliances that cannot be tested to ANSI Z21/83 standards.

Indeed, earlier in the proceeding, PG&E resisted arriving at standards consistent with those used by the other gas IOUs because of concerns, among other things, that safety would be compromised if the thresholds were raised. PG&E has now dropped its safety-based objection, and is fully in support of the new, consistent standards.

Finally, the settlement does not require that LIEE funding be used to pay for the dual read meters. While the record is ambiguous as noted above, the IOUs' motion and the settlement agreement itself provide that "all related costs will be accounted for in accordance with the Commission's 2005 LIEE program CO testing funding guidelines." Since this is the decision setting forth those guidelines, it is appropriate for us to determine that the testing should be paid for out of general rates, rather than LIEE funds. We so determine here.

Thus, the settlement is reasonable in light of the whole record.

2. Consistent with the Law

The settlement resolves the issues that were to go to hearing, and is the product of good faith negotiations between the parties. No party claims that the settlement itself, or the standard thresholds adopted therein, run counter to law, rule or tariff. Indeed, as noted above, D.03-11-020 directed the parties to negotiate consistent thresholds, so the current state of the law is that parties were required to devise their own consistent standards.

Thus, we conclude that the settlement is consistent with the law.

3. In the Public Interest

When she set the matter for hearing, the ALJ noted that an appropriate settlement would ensure public safety while setting a high enough threshold that the IOUs would not needlessly leave low-income consumers without heat or other gas appliances. The parties have agreed that the standards they have agreed upon are “just and reasonable and in the public interest.”³⁷ The joint parties to the settlement also state that they “have used their collective experience to arrive at CO flue threshold levels that are safe and consistent with best industry practices and ANSI standards.”³⁸ Finally, the settlement provides that, “No LIEE customer gas appliances will be shut off based on flue CO levels alone, unless they exceed the agreed-upon threshold levels *and cannot be repaired* as provided for under the LIEE program policy and procedures.”³⁹ Thus, we are

³⁷ *Settlement Motion* at 5.

³⁸ *Id.* at 6.

³⁹ *Id.* at 2 (emphasis added).

satisfied that the settlement appropriately balances the safety of customers with the need to ensure that customers have working gas appliances.

Based on the foregoing, the Commission finds that the CO threshold settlement is reasonable in light of the whole record, is consistent with the law, and is in the public interest. We note that nothing in the agreement restrains the Commission from changing the required post-testing CO flue threshold levels or should be construed to constitute a Commission statement of what the appropriate levels should be. The settlement is approved as discussed above.

4. Funding of CO Testing

a) SDG&E and SoCalGas Proposal For Funding of CO Testing

SDG&E and SoCalGas raise a further issue regarding CO testing. These IOUs request that we change the *status quo* requiring who pays for the testing. Currently, testing is paid for out of general utility rates: in 1998, the Commission directed that low-income program funds were not to be used to perform LIEE-related CO testing.⁴⁰ We reasoned at the time that “carbon monoxide testing conducted under the LIEE program is part of the ‘routine’ service to ratepayers and is already authorized in rates.”

However, SDG&E and SoCalGas state that CO testing conducted under LIEE is not part of their routine service. They state that CBOs or private contractors conduct such testing, rather than utility personnel; that LIEE program staff at the utilities oversee these contractors; and that testing under the

⁴⁰ D.98-06-063, ordering paragraph 7; *see also* D.00-07-020, *mimeo.*, at 108.

LIEE program is more complex and time-consuming than the testing the utilities perform as part of their regular utility service.

b) Comments on SDG&E and SoCalGas Proposal For Funding of CO Testing

ORA objects to SDG&E and SoCalGas' request.⁴¹ It notes that PG&E has not made a similar request for a change to the *status quo*. ORA states that the request does not explain how SDG&E and SoCalGas will track the testing expenses so that they are not paid for twice – once out of LIEE funds and a second time out of general rates. ORA also states that the utilities do not show how a change in the *status quo* will benefit ratepayers.

In reply, SDG&E and SoCalGas reiterate that CO testing for the LIEE program is more complex than that for general customers, and that the Commission currently changes the LIEE testing requirements. “[C]ost of service (‘COS’) or general rate case (‘GRC’) proceedings are not designed to efficiently accommodate changes in [LIEE] program CO policies and practices. COS or GRC can take years to resolve because they examine all aspects of a utility’s operational costs and address literally hundreds of issues.”⁴²

⁴¹ In the Scoping Memo, the ALJ directed any utility seeking a change in the funding *status quo* to file a motion. SDG&E and SoCalGas filed a motion and requested public goods charge funding for CO testing in their 2005 program applications. We find that SDG&E and SoCalGas followed the ALJ’s instructions, and that this decision is the best place to resolve these utilities’ request.

⁴² *Reply of [SDG&E] to the Limited Protest of [ORA] to Application for Approval of Program Year 2005 Low-Income Assistance Programs and Funding*, filed Aug. 23, 2004 (*SDG&E Reply*), at 4-5.

The Utility Reform Network (TURN) supports the proposal to transfer funding for LIEE-related CO testing to the LIEE program and away from general rates.⁴³ TURN states that it was a party to a settlement in proceeding A.02-12-027, SoCalGas' cost of service proceeding. In the settlement, TURN supported moving funding responsibility for CO testing from base rates to public purpose funds. TURN does not otherwise explain why it makes sense to fund CO testing from the PGC.

c) Discussion of SDG&E and SoCalGas Proposal For Funding of CO Testing

We do not believe SDG&E and SoCalGas have adequately demonstrated that we should change the *status quo* and move funding for LIEE-related CO testing from base rates to PGC funding. We believe safety testing is a normal utility function for a gas utility and should be paid for out of base rates. LIEE funding is limited in amount and is designed to fund activities that help low-income customers save energy. Safety, on the other hand, is something the utilities owe all customers, whether they are low-income or not. Such testing should not depend on a separate stream of funding, but should be guaranteed for any customer receiving utility service. Thus, CO testing should continue to be funded from base rates. We deny SDG&E and SoCalGas' request, and remove the requested amounts for CO testing from their proposed 2005 LIEE budgets.

⁴³ *Response of [TURN] to the Motion of [SoCalGas] for Funding of DAP CO Testing From Public Purpose Program Funds Instead of From Base Rates*, filed Aug. 20, 2004; *Response of [TURN] to the Motion of [SDG&E] for Funding of DAP CO Testing From Public Purpose Program Funds Instead of From Base Rates*, filed Aug. 20, 2004.

D. Pilot Air Conditioning Maintenance Measure

In the June 24, 2004 Scoping Memo for this proceeding, the ALJ noted that the LIOB had recommended that the Commission add air conditioner maintenance to its mix of LIEE measures:

At the PHC, the LIOB representative noted that at a meeting held on May 17, 2004, the LIOB voted unanimously to have the Board request that the electric utilities consider conducting a pilot program or setting aside funds for service and maintenance on central air conditioning systems. The program would ensure that appliance pressures are correct and that appliances are clean so customers obtain optimal energy efficiency from their current appliances. The IOUs shall consult with the LIOB or an LIOB representative on this issue and address the feasibility of such a project in their July 1, 2004 LIEE program application filings.⁴⁴

The Commission's Standardization Team analyzes all proposed new measures using evaluation criteria the Commission approved in D.02-08-034. These criteria focus on whether the proposed measure is cost-effective using two cost-benefit tests: a "Utility Cost Test" and a "Modified Participant Cost Test." Costs considered include the purchase cost of the measure plus the labor cost to install it. Benefits include energy saved plus a variety of non-energy benefits including comfort, water savings, health benefits, and others.

We agree with the IOUs and ORA that the Standardization Team should analyze the LIOB's proposed air conditioner maintenance using the foregoing cost-benefit analysis. We order the Team to communicate directly with the LIOB

⁴⁴ *Scoping Memo of Assigned Commissioner and Administrative Law Judge*, dated June 24, 2004.

to obtain information on this proposed measure. We deem the LIOB's proposal preliminarily to meet the requirements for submission pursuant to the Team's December 17, 2004 *Solicitation Of Proposals For New Measures For The 2006 Low Income Energy Efficiency Program*. The Team should obtain any additional information it needs to assess the LIOB's recommendation as soon as possible after issuance of this decision, unless a similar proposal is made by another entity, in which case the issue will be moot because the Standardization Team will already be studying the issue.

E. IOU Contractor Costs

With their LIEE applications, the IOUs included limited information on the costs they incur by using third party contractors to run aspects of their LIEE programs. PG&E conceded that the information does not fully break down contractor costs, and is not consistent across contractors or across IOUs.

We must have before us all costs an IOU incurs – whether in-house or from an outside contractor – in analyzing IOU low-income budgets. It is not sufficient for IOUs to tell us that the contractors refuse to provide cost information. In the future, as a condition of receiving public goods charge funding, any third party contractor must agree to provide such data so that the IOUs can furnish it to the Commission. The IOUs and contractors may furnish the data under seal, but they may not refuse to provide the data at all.

The IOUs shall meet and confer and develop consistent budget templates for their contractors' use. To the extent any forms or templates developed in the context of other Commission proceedings – such as our Energy Efficiency proceeding, R.01-08-028 – are useful for this purpose, the IOUs may use them. The IOUs shall file and serve a report on the results of this meet and confer process no later than 60 days after the effective date of this decision.

F. Franchise Fees and Uncollectibles (FF&U)

PG&E estimates its 2005 revenue requirement (net of Franchise Fees and Uncollectibles (FF&U)) to be \$39.571 million for electric and \$16.959 million for gas LIEE. In D.04-08-010, the Commission found that franchise fees are not directly related to the public purpose programs, and therefore that the IOUs should not pay franchise fees on surcharge revenues. We directed all utilities to exclude surcharges in calculating their franchise fee payments. While the decision applied only to gas utilities, the reasoning is equally appropriate for electric utilities. We hereby direct that all electric utilities exclude surcharges in calculating franchise fee payments.

In D.04-08-010, the Commission did not allow gas utilities to recover uncollectibles for Public Purpose Programs because Pub. Util. Code § 890 addressed the problem of worthless accounts. Moreover, because CARE and LIEE are afforded balancing account treatment, the utilities recoup the CARE and LIEE expense dollar for dollar and therefore do not write off expenses for uncollectible accounts. Further, the utilities are afforded recovery of bad debt expense in their general rate cases.

For these reasons, we disallow the calculation of and the expense of FF&U for both gas and electric CARE and LIEE programs. Therefore, utilities should not subtract FF&U from revenues when crediting revenues to the balancing account or subsequently debit the balancing account for FF&U.

G. LIEE Measurement and Evaluation

A statewide impact evaluation on the IOUs' 2004 LIEE programs will occur in 2005. The estimated cost of the study is \$600,000. The proportional share for each utility is: PG&E - \$180,000, SCE - \$180,000, SoCalGas - \$150,000 and SDG&E - \$90,000. As shown in Table 4, above, the proposed IOUs' costs do

not match these numbers. SoCalGas included \$195,000 for M&E in its 2005 budget. PG&E seeks a M&E budget of \$300,000 in its application. SoCalGas seeks \$60,000, and SDG&E seeks \$50,000. Each IOU should provide the Energy Division justification for its M&E budgets within 60 days of the effective date of this decision. The budget for the impact evaluation is approved without increasing the IOU's 2005 budgets. All the utilities have sufficient unspent carryover funds to absorb the cost of the evaluation.

VI. Other Issues

A. Low Income Oversight Board Membership

The LIOB advises the Commission on various aspects of its low-income programs. The current Board members are as follows.

1. Board Member Maria Juarez

Community Action Partnership
Riverside County
2038 Iowa Avenue
Suite B-102
Riverside, CA 92507

Information Contact:
Shelley Plumlee
909-955-4900

2. Board Member Alan Woo

Community Action Partnership
of Orange County
12640 Knott Street
Garden Grove, CA 92841.

Information Contact:
Marilene Panal
714-897-6670 ext. 3400.

3. Board Member Ortensia Lopez

El Concilio of San Mateo
1419 Burlingame Ave. Suite N
Burlingame 94010

Information Contact:
Carol Hatten
650-373-1095

4. Board Member Carl Wood
CA Public Utilities Commission
505 Van Ness Ave., Room# 5209
San Francisco, CA 94102

Information Contact:
Dolores Montellano
415-703-2283

5. Board Member Tim Dayonot

Department of Community
Services and Development
700 N. 10th Street
Room 258
Sacramento, CA 95814

Information Contact:
Dawn Chambers
916-341-4263

6. Board Member Yole Whiting

San Diego Gas And Electric Co.
8335 Century Park Court
Bldg. 1 2nd Floor
Conference Room 12-720

Information Contact:
Gloria Saporito
858-654-1231

**7. Board Member
Janine Scancarelli**
Folger Levin & Kahn LLP
275 Battery Street, 23rd Floor
San Francisco, CA 94111

Information Contact:
Tricia Verbick
415-365-7477

8. Board Member Ron Garcia

Reliable Energy Mgmt. Inc.
6250 Paramount Boulevard
Long Beach, CA 90805

Information Contact:
Eva Martinez
562-984-5511

9. Board Member Paul White

Assistant Executive Director
Fresno County Economic
Opportunities Commission
5476 W. Bedford
Fresno, CA 93722

Information Contact:
Lola Mireles
(559) 263-1025

The two-year terms of each member expired on May 2, 2004. The terms are not currently staggered, so it is conceivable that all terms could expire at once, leaving the LIOB with little institutional memory.

To remedy this concern, the ALJ sent a ruling on September 27, 2004 suggesting staggered terms. The ALJ proposed that the Commission fill the seven positions it is authorized to fill⁴⁵ by reappointing approximately half the current members for a one-year term, and reappointing approximately half for a two-year term. The ALJ asked current members who desired to continue on the LIOB to communicate their desires to the Energy Division. All such members, with the exception of one, indicated their desire to continue for two years. We discuss each LIOB slot in the order they are listed above, and reach the following decisions.

1. Maria Juarez, the current LIOB chair, wishes to continue for a two-year term. We grant this request, effective at the first LIOB meeting after the effective date of this decision and continuing for two years thereafter.
2. Alan Woo, the current LIOB vice chair, wishes to continue for a two-year term. Since both Mr. Woo and Ms. Juarez are employees of the Community Action Partnership – albeit different branches in Southern California – we will make Mr. Woo’s position a one-year position, effective at the first LIOB meeting after the effective date of this decision and continuing for one year thereafter.

⁴⁵ One of the nine appointments is made by the Governor, and one is made by the state Department of Community Services and Development

3. Ortensia Lopez, the current LIOB secretary, wishes to continue for a two-year term. We grant this request, effective at the first LIOB meeting after the effective date of this decision and continuing for two years thereafter.
4. Commissioner Carl Wood's term with the Commission has expired, leaving his seat empty. The Commission temporarily replaces him with Commissioner Michael Peevey. The Commissioner-designee term shall extend for two years after the effective date of this decision.
5. Tim Dayonot is the director of the Department of Community Services and Development, which administers the federal LIHEAP program. The DCSD appointee's term should continue for two years from the effective date of this decision, or until such time as DCSD elects to appoint a different representative.
6. On October 12, 2004, the IOUs made a filing suggesting that the utility representative rotate from IOU to IOU on an annual basis. Since the current IOU slot is held by an SDG&E employee, under the IOU proposal, that slot should now be filled with an employee either of SCE or PG&E. The IOUs suggest that John Nall, SCE's Manager of Residential Energy Efficiency Programs, be the next utility representative on the LIOB. We adopt the IOUs' suggestions that the IOU representative rotate annually, and that Mr. Nall replace the current IOU member, Yole Whiting, at the first LIOB meeting after the effective date of this decision, and continuing for one year thereafter.
7. Janine Scancarelli's position will convert to a one-year position, effective at the first LIOB meeting after the effective date of this decision and continuing for one year thereafter, or until the Governor, who appointed Ms. Scancarelli, elects to appoint a different representative.
8. Ron Garcia wishes to continue for a two-year term. We grant this request, effective at the first LIOB meeting after

the effective date of this decision and continuing for two years thereafter.

9. Paul White was excusably unable to provide feedback on ALJ Thomas' ruling. His slot on the LIOB will continue for one year, effective at the first LIOB meeting after the effective date of this decision and continuing for one year thereafter.

In summary, as of the effective date of this decision, the LIOB will have five positions (for ease of reference, positions 1, 3, 4, 5 and 8 above) carrying two-year terms and four positions (positions 2, 6, 7 and 9 above) carrying one-year terms at first and then reverting back to two-year terms to continue the staggering of terms. We believe this staggering of terms will provide better LIOB continuity and open up opportunities for new membership on this meaningful advisory board to the Commission.

B. Assembly Bill 868 – Migrant Farm Housing Centers

1. Background

On September 21, 2004, the Governor signed Assembly Bill (AB) 868, which extends CARE benefits to migrant farm housing centers. Migrant farm housing centers house seasonal farm workers in various agricultural regions of California. The centers provide low-cost temporary housing, including electric and gas service, for 180 days (with an option to extend this period) each year during crop harvesting season. The legislation amends Cal. Health and Safety Code 50710.1 to provide the following:

§ 50710.1(e) Because of the presumed income levels of the occupants of migrant farm labor centers, an entity operating a migrant farm labor center shall be deemed eligible for the California Alternative Rates for Energy program established pursuant to Sections 382 and 739.1 of the Public Utilities Code.

Any savings from a reduction in energy rates shall be passed on to the occupants of the migrant farm labor center.

The assigned ALJ issued two rulings⁴⁶ designed to ensure utility compliance with the statute's obligations to serve all migrant farm labor centers under the "deemed eligible" provision, above, and address how to pass savings on to occupants of the centers. The ALJ required the utilities to consult with the California Office of Migrant Services (OMS), which administers the migrant farm labor center program.

The IOUs responded that there are 26 OMS-administered centers in California. Twenty-four are in PG&E's service area (with 2 currently closed). SCE and SoCalGas serve one center. The final center is outside the IOU's large service territory in Modoc County, and is served by PacifiCorp, the energy service provider for that county. The IOUs have served OMS centers since 1996, when the CARE program began serving agricultural employee housing centers.⁴⁷

2. "Deemed Eligible" Provision

Commission eligibility criteria have heretofore required that 100% of center residents meet the CARE income qualifications in order for the facility to qualify. In previous years, PG&E met with OMS to try to enroll these migrant housing customers, but each time one or more families barely missed the income criteria, often due to large extended family groups residing together.

⁴⁶ *Administrative Law Judge's Ruling Seeking Input Regarding Assembly Bill 868 (CARE Program Eligibility for Migrant Housing Centers)*, filed Oct. 1, 2004; *Second Administrative Law Judge's Ruling Regarding Assembly Bill 868*, filed Nov. 22, 2004.

⁴⁷ See D.95-10-047 & PG&E Tariff Rule 19.3, Cal. PUC Sheet No. 13899-E, effective Jan. 23, 1996.

The IOUs contend that AB 868 eliminates this problem with its “deemed eligible” language. A few residents who barely miss the income cut-off will no longer disqualify the whole center for the CARE discount. Thus, the IOUs plan to create a new application for OMS migrant housing centers that does not include the previous requirement that 100% of OMS residents be eligible for CARE. ORA agrees with this approach,⁴⁸ and we concur given the clear language of AB 868.

3. Passing Savings to Occupants

With regard to the requirement that “[a]ny savings from a reduction in energy rates shall be passed on to the occupants of the migrant farm labor center,” the IOUs responded that this obligation should fall on the OMS, rather than on the Commission or the IOUs themselves. They explained that the centers, rather than the resident workers, pay the energy bills, and therefore should ensure that the CARE subsidies are properly accounted for.

As reflected in the letter attached hereto as Appendix A, Commission staff consulted OMS staff on the question of subsidy pass-through. OMS explained that the migrant farm labor centers are run by local agencies that contract with OMS. OMS works with the operators of each of the migrant farm worker centers to develop a budget that includes expenses such as maintenance, insurance and utilities as well as income from tenants and from the State of California.

Residents of the migrant farm labor centers pay rent based on the number of rooms in their unit, with current daily rates ranging from \$9-10. Residents do

⁴⁸ *Comments of [ORA] on [SMJU] and [IOU] Implementation Plans for Assembly Bill 868*, filed Nov. 16, 2004 (*ORA 868 Comments*), at 3.

not pay separately for water, sewer, gas and electric utilities, but rents do not fully cover the operating costs of the migrant farm worker centers. The state's General Fund covers the deficit.

OMS staff explained that they envisioned the migrant farm worker centers passing on the savings from the CARE discount to residents of the centers in one of two ways. The first would be to subsidize rents if a center needed to remain open past the standard 180-day operating season. Currently, each center is budgeted for 180 days of occupancy, and extensions beyond this period typically require significant increases in the daily rent rate. The rent increases during a period of extended operation could be lessened if the CARE discount were available. The second way to pass on savings from a reduction in energy rates to occupants of the migrant farm worker centers, according to OMS, is to allow the centers to use the budget surplus to make purchases for the benefit of occupants.

CPUC staff questioned OMS about returning the CARE discount directly to residents as the most direct way to pass the savings from a reduction in energy rates to current occupants of the migrant farm worker centers who incurred the CARE savings in the current year. OMS staff explained that the resources required to track and return the savings from a reduction in rates discount to individual residents would exceed what is available at the migrant farm worker centers. Under those circumstances, migrant farm worker centers might be unable to accept the CARE discount. OMS staff pointed out that extending the operating season of the migrant farm worker centers and improving conditions in the centers, both of which would be promoted by the ways it planned to pass the savings from a reduction in energy rates to occupants of the centers, were consistent with the legislative intent in enacting AB 868. We believe OMS'

proposal for passing the savings to occupants of the migrant farm centers is reasonable, and we defer to their expertise as the agency responsible for overseeing the migrant farm worker centers.

4. Non-OMS Centers

ORA commented that some migrant farm labor housing centers are functionally equivalent to those reporting to OMS, but may not work with OMS. ORA stated that it is unclear whether AB 868 governs these non-OMS centers. The IOUs commented that there are other non-profit migrant farm worker housing centers in PG&E's service area besides the OMS centers. Local government agencies operate these centers. PG&E identifies two centers in the Napa Valley of California that are unable to qualify for funding due to the 100% eligibility criterion. SCE "has not been able to identify" any non-OMS centers in its service area.⁴⁹ The joint utilities otherwise "do not oppose an interpretation of AB 868 that included other non-profit farm worker housing centers in its categorical CARE qualifications."⁵⁰ They express willingness "to identify, contact and enroll all such centers that qualify."⁵¹

SDG&E and SoCalGas believe that the Commission is authorized to extend the CARE eligibility exemption to non-OMS migrant housing under Pub. Util. Code §§ 382 and 739.2. Sections 382(b) and (c) allow the Commission

⁴⁹ *Joint Utility Response to Second [ALJ] Ruling Regarding Assembly Bill 868*, filed Dec. 1, 2004, at 3. PG&E, SCE, SDG&E and SoCalGas participated in this filing, while SDG&E and SoCalGas filed their own separate comments as well.

⁵⁰ *Id.*

⁵¹ *Id.*

to institute special rates or programs for low-income ratepayers not specifically enumerated. Section 739.2 grants the Commission the authority to provide its assistance program to agricultural housing and other employee housing when the occupants of the facilities substantially meet the Commission's low-income eligibility requirements and there is a feasible process for certifying that the assistance shall be used for the direct benefit of the occupants of the facilities.

Nonetheless, SDG&E and SoCalGas believe the Commission should defer extending the exemption pending further analysis regarding the scope and impact of such an extension. These IOUs urge us at least to limit the applicability of the CARE program to centers run by non-profit agencies. The other IOUs concur. They note that the Legislature, in the preamble to AB 868, specially referred to "local public and private nonprofit agencies" that contract with the DCSD to operate a "migrant farm labor center."⁵²

The statute provides simply that "an entity operating a migrant farm labor center shall be deemed eligible for the [CARE] program." It does not require that the entity be the OMS. This fact, combined with the other arguments the joint utilities make, convinces us that the law may be construed to apply to all migrant

⁵² The IOUs also note that AB 868's provisions concerning the CARE discount are found in Section 2, which amends Section 50710.1 of the California Health and Safety Code. Section 50710.1 is part of Chapter 8.5 of the Health and Safety Code, "Special Housing Program for Migratory Workers." The first section of Chapter 8.5, Section 50710, provides that "the Director of Housing and Community Development may contract with school districts, housing authorities, health agencies, and other appropriate local public and private nonprofit agencies, for the procurement, or construction of housing or shelter and to obtain services for migratory agricultural workers...." The IOUs point out that this provision does not include any reference to for-profit or commercial housing centers.

farm labor centers that otherwise fit within the statute. This means that non-profit centers, even if not overseen by OMS, qualify, while for-profit centers do not.

We therefore agree with ORA and the IOUs that non-profit centers not managed by OMS should receive the CARE discount. We appreciate the IOUs' offer to work to enroll these centers, and direct them to use their best efforts to enroll the centers within 60 days of the effective date of this decision.

5. Small and Multijurisdictional Utility (SMJU) Migrant Center Issues

While this decision does not generally address the SMJU's applications⁵³ for LIEE/CARE funding, it is efficient to address all AB 868 issues in one place. The ALJ's AB 868 rulings described above addressed both IOUs and SMJUs. The SMJUs stated that only one OMS-administered migrant housing center is within any SMJU's territory – in PacifiCorp's service territory in Modoc County in the northeast corner of California. PacifiCorp does not currently provide the CARE discount to that center, but states that it "is in the process of contacting the customer to investigate whether they are eligible for the Migrant Farm Rate, and if so, will transfer them to the appropriate care rate discount schedule."⁵⁴ Since AB 868 deems all such centers eligible for the CARE discount, PacifiCorp should provide the CARE discount to that center immediately.

⁵³ The SMJUs are Sierra Pacific Power Company, Bear Valley Electric Service Company/Southern California Water Company, PacifiCorp, Southwest Gas Corporation, Alpine Natural Gas Company Operating Company No. 1 LLC, Avista Utilities, and West Coast Gas Company.

⁵⁴ *Joint Response of [SMJUs] to [ALJ's] Ruling Seeking Input Regarding Assembly Bill 868 (CARE Program Eligibility for Migrant Housing Centers)*, filed Nov. 1, 2004, at 1.

The SMJUs also support providing non-OMS-administered centers the CARE discount. As noted above, we agree with this proposition as to non-profit centers, and order the SMJUs to investigate, with OMS or DCSD assistance if necessary, where these centers are located and enroll them in the CARE program. The SMJUs shall use their best efforts to complete this enrollment no later than 90 days after the effective date of this decision.

C. LIEE Measure Reinstatement

1. Background

In D.03-11-020, we eliminated LIEE funding for room air conditioners and evaporative coolers in California Energy Commission (CEC) climate zones 10 and 16. The LIOB, which provides the Commission advice and community participation in its LIEE decision-making, decided as a result of its May 17, 2004 meeting that the Commission should reinstate room air conditioners in zones 10 and 16 and evaporative coolers in zone 16. The LIOB argued that zones 10 and 16 are hot in the summer and that low-income customers who live in them should be able to receive room air conditioning and evaporative cooling as part of the mix of LIEE services. The LIOB asserted that climate zones 10 and 16 are quite similar to other zones in which we allowed continued funding of room air conditioners.

The Commission eliminated the measures in zones 10 and 16 based on a June 2, 2003 report to the Commission in which the Standardization Team recommended that room air conditioners be offered only in climate zones 11-15, and eliminated in zones 10 and 16.

In comments on the draft decision that preceded adoption of D.03-11-020, SCE asked that the Commission continue cooling measures in parts of San Bernardino and Riverside counties in zone 10:

[A]lthough Climate Zone 10 is not generally considered to have the most extreme summer conditions, there are certain geographic areas within Climate Zone 10 that share the same extreme summer conditions as those found in Climate Zones 11–15. For example, during July and August of 2003, the City of Ontario in San Bernardino County experienced 29 days of temperatures exceeding 100° out of a total of 62 days.⁵⁵ The City of Hemet in Riverside County experienced 31 days above 100° during the same time period.⁵⁶

Despite experiencing comparably extreme summer temperatures, under the Draft Opinion’s recommendations, these geographic areas of Climate Zone 10 would not qualify for the same cooling measures that are available to low-income customers in Climate Zones 11 – 15. To rectify the inequity of this situation, SCE recommends that a limited exception be given to Climate Zone 10 to allow for the installation of approved cooling measures for the designated areas of San Bernardino and Riverside counties

D.03-11-020 rejected SCE’s suggestion principally for procedural reasons:

We also do not modify the draft decision to allow for the installation of evaporative coolers and window/wall air conditioners in climate zone 10, as requested by SCE in its comments. This issue was not raised by any Team member during the preparation of the report, in comments or public workshops or even presented as a consideration in the final report. To introduce such an exception at this stage would undermine our efforts to standardize the program and make decisions concerning what measures are offered both transparent and understandable to the public.

⁵⁵ See the University of California Davis weather data website, available at <http://www.ipm.ucdavis.edu/WEATHER/wxretrieve.html>.

⁵⁶ *Id.*

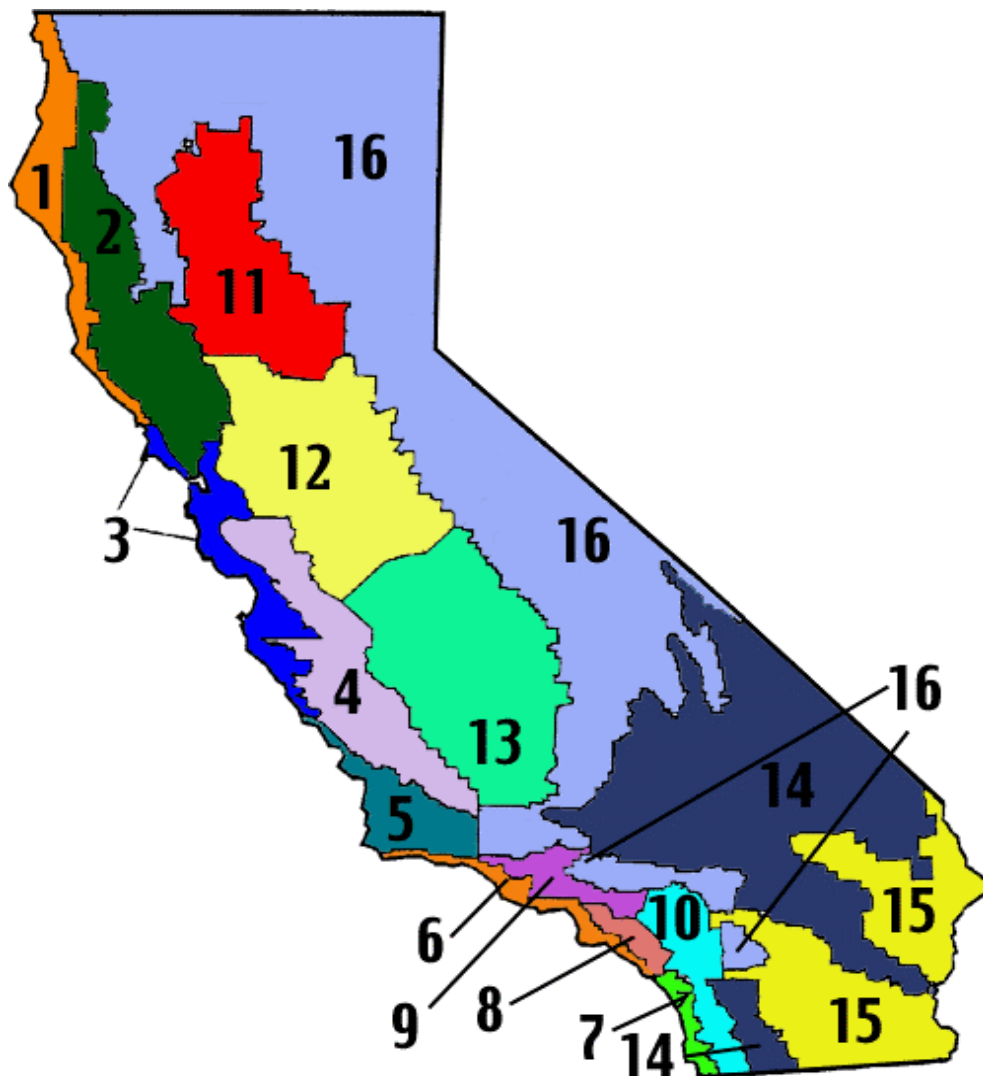
2. Discussion

To assess the LIOB's request, we have examined climate zone 10 and 16 data submitted in our Baseline proceeding, R.01-05-047.⁵⁷ This data was not before us when we issued D.03-11-020. Climate zones 10 and 16⁵⁸ appear on the following map.⁵⁹

⁵⁷ We may consider evidence introduced in the Baseline proceeding in this case pursuant to Commission Rule 72.

⁵⁸ The comparison is not perfect because SCE uses its own "Baseline Zones" rather than the CEC's climate zones. Nonetheless, climate zone 10 is not much different from zones 13-15, in SCE's territory, or zones 11-12, which roughly correspond to PG&E's zones R and S.

⁵⁹ See http://www.energy.ca.gov/maps/climate_zone_map.html.



To determine how hot a climate zone is, one examines its “Cooling Degree Days” (CDD). Using the R.01-05-047 data, we find that zone 10 has CDDs ranging from 473 to 1539 (with a mean number of 1227), while zone 16 ranges from 4-2398 (with a mean of 674). Zone 10’s CDDs are very similar to PG&E’s zone S, which comprises parts of CEC zones 11 and 12 and averages 1322 CDDs. D.03-11-020 retained cooling measures in zones 11 and 12. As best we can discern from the Baseline proceeding data, the means (SCE data) and averages (PG&E data) are as follows:

- Zone 10 ranges from 473-1539 (with a mean of 1227)

- PG&E zone R (comprising parts of CEC zones 11 and 12) ranges from 1495-2109 (and averages 1767)
- PG&E zone S (comprising parts of CEC zones 11 and 12) ranges from 949-1628 (and averages 1322)
- Zone 13 ranges from 1386-1793 (with a mean of 1557)
- Zone 14 ranges from 1196-2805 (with a mean of 1797)
- Zone 15 ranges from 2938-3786 (with a mean of 3183)
- Zone 16 ranges from 4-2398 (with a mean of 674)

Moreover, as noted above, SCE's comments submitted on the draft decision leading to D.03-11-020 pointed out that certain cities in zone 10 had a large number of days over 100 degrees: "[D]uring July and August of 2003, the City of Ontario in San Bernardino County experienced 29 days of temperatures exceeding 100° out of a total of 62 days. The City of Hemet in Riverside County experienced 31 days above 100° during the same time period."

We did not rely strictly on the CDDs in eliminating LIEE measures in D.03-11-020. Rather, we also considered less quantitative data, and found that we could adopt, retain or reinstate a measure even if it did not adhere strictly to the quantitative cost-effectiveness criteria we established in that decision. When we are considering the health and safety of low-income California electric and gas customers, it is important that we preserve this discretion so as not to impose hardships on these customers.

Indeed, one of our clear goals in D.03-11-020 was the reduction of hardship. We found that avoidance of hardship could consist of lowering the

amount of a customer's energy bill, as well as producing non-energy benefits – such as comfort – to the recipient.⁶⁰

We believe, based on the Baseline proceeding data, SCE's comments, and on D.03-11-020's reliance on customer benefits as well as cost-effectiveness, that we should reinstate LIEE funding for room air conditioning and evaporative coolers in zone 10. We order SCE to immediately reinstate these measures in zone 10 so that the measures are available for the remainder of 2005.

Zone 16 was properly excluded from LIEE subsidies, given how much it diverges from the other hot California climate zones. Thus, we order no change in the *status quo* for that zone.

D. LIEE Program Contributions Toward Statewide Conservation Goals

The Green Buildings Initiative (Executive Order S-20-04), signed by the Governor on December 14, 2004, calls upon California's public and private entities to engage in energy and resource efficient activities that work aggressively to reduce state building electricity usage. The Initiative specifically looks to this Commission to:

apply its energy efficiency authority to support a campaign to inform building owners and operators about the compelling economic benefits of energy efficiency measures; improve commercial building efficiency programs to help achieve the 20% goal; and submit a biennial report to the Governor commencing in September 2005, on progress toward meeting these goals."⁶¹

⁶⁰ *Id.* at 11.

⁶¹ Executive Order S-20-04, December 14, 2004.

In D.04-09-060, the Commission adopted annual and cumulative goals for energy savings over the next decade, and recognized the LIEE program and its part in meeting the aggressive energy savings goals we adopted: “[S]avings achieved from energy efficiency measures installed under the IOUs’ LIEE program should be counted toward today’s adopted savings goals.”

In addition to providing a much-needed service to California’s low-income community, the LIEE programs we approve in this decision will help achieve the state’s overall energy goals. The Energy Division and the IOUs should immediately begin to address tracking and reporting needs related to LIEE’s contribution to the Commission’s adopted goals.

VII. Assignment of Proceeding

Dian M. Grueneich is the Assigned Commissioner for this proceeding, and Sarah R. Thomas is the assigned ALJ in this proceeding.

VIII. Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Section 311(g)(1) of the Public Utilities Code and Rule 77.7 of the Rules of Practice and Procedure. Comments were filed on _____ and reply comments were filed on _____.

Findings of Fact

1. SCE proposes to increase the number of customers it serves from approximately 20,000 in 2004 to approximately 49,000 in 2005, an increase of more than 100 percent.
2. SCE seeks a revenue increase of \$13.4 million for its LIEE program.
3. SCE’s blend of LIEE offerings has changed from an emphasis on CFLs to a broader range of measures.

4. SCE needs additional funding to serve customers located in the joint SCE and SoCalGas service area.

5. Cool Centers are programs to subsidize air conditioning bills at locations where seniors and low-income persons congregate, such as senior centers and community centers. Subsidies for such persons do not fit precisely under the LIEE or CARE rubric, since they are not energy efficient appliances and measures (LIEE) or direct rate assistance to utility customers (CARE).

6. Cool Centers provide an important measure of comfort to LIEE and CARE customers who live in hot climates around the state.

7. Existing community and senior centers serving as Cool Centers cannot feasibly bar their existing clients from the cooled portions of their facilities unless the clients show proof of LIEE or CARE eligibility.

8. All electric and gas IOUs should exclude surcharge revenues in calculating their franchise fee payments.

9. The IOUs should not subtract FF&U from revenues when crediting revenues to the CARE and LIEE balancing accounts, or debit the balancing accounts for FF&U.

10. Go-backs may in some cases cause record-keeping or other problems.

11. CO/NGAT testing is a basic utility service that should be funded by base rates, and not by public purpose funds.

12. LIEE funding is limited in amount and is designed to fund activities that help low-income customers save energy. Safety, on the other hand, is something the utilities owe all customers, whether they are low-income or not. Appliance safety testing should not depend on a separate stream of funding, but should be guaranteed for any customer receiving utility service.

13. The IOUs receive reimbursement on a dollar-for-dollar basis of all CARE bill subsidies, so the primary issue before us with regard to the CARE applications is the level of administrative costs each IOU seeks.

14. It is important for the IOUs to estimate each year the level of CARE subsidies they expect to provide to customers. An estimate of the subsidy is helpful in estimating the total CARE budgets and calculating appropriate CARE surcharge costs.

15. The Commission has cancelled the contract for the CARE Management and Financial Audit ordered in D.02-09-021.

16. Shareholder incentives for low-income assistance programs are beyond the scope of this proceeding, June 24, 2004 Scoping Memo.

17. While SoCalGas and SDG&E seek call center costs from PGC funds, the other large utilities do not.

18. Recruitment for CARE from an ever-smaller pool of eligible but not enrolled CARE customers may require greater effort and an increase in budget.

19. LIOB expenses are absorbed in the Commission's budget.

20. In D.04-09-060, the Commission adopted annual and cumulative goals for energy savings over the next decade, and recognized the LIEE program and its part in meeting the aggressive energy savings goals we adopted.

21. During July and August of 2003, the City of Ontario in San Bernardino County, located in climate zone 10, experienced 29 days of temperatures exceeding 100° out of a total of 62 days.

22. During July and August of 2003, the City of Hemet in Riverside County, located in climate zone 10, experienced 31 days above 100° out of a total of 62 days.

23. Based on the data in the Baseline proceeding, the means (SCE data) and averages (PG&E data) in climate zones 10-16 are approximately as follows:

- Zone 10 ranges from 473-1539 (with a mean of 1227)
- PG&E zone R (comprising parts of CEC zones 11 and 12) ranges from 1495-2109 (and averages 1767)
- PG&E zone S (comprising parts of CEC zones 11 and 12) ranges from 949-1628 (and averages 1322)
- Zone 13 ranges from 1386-1793 (with a mean of 1557)
- Zone 14 ranges from 1196-2805 (with a mean of 1797)
- Zone 15 ranges from 2938-3786 (with a mean of 3183)
- Zone 16 ranges from 4-2398 (with a mean of 674)

24. SCE's CARE "General Administration" costs are reasonable.

Conclusions of Law

1. This proceeding does not require hearings.
2. There is no legal requirement of a hearing on SCE's proposed rate increase.
3. The ratemaking treatment of each IOU's LIEE and CARE funding should not change from the *status quo*.
4. The IOUs should recover in rates a level of LIEE program funding and CARE costs commensurate with the funding we authorize in this decision.
5. SCE's proposed LIEE budget increase is reasonable given SCE's prior focus on CFLs and movement toward a broader range of measures, and its leveraging with SoCalGas.
6. SCE's \$560 LIEE average cost per home is reasonable.
7. We should disallow from the budget of any IOU operating a Cool Center/Cool Zone costs for rent; utilities; insurance; janitorial services; other overhead costs; transportation (bus passes, vehicle rental, fuel costs); staffing at

Cool Centers; and snacks and beverages because these costs are not LIEE measures or appropriate CARE administrative costs.

8. SCE and SDG&E's Cool Centers should be pilot programs for 2005, funded as part of their CARE outreach budgets.

9. The evidence does not support PG&E's request to allocate 70% of its LIEE budget on electric programs and 30% on gas programs. The record does support a 64% electric/36% gas allocation.

10. As part of its next phase of work, the Standardization Team should develop a standardized policy for "go-backs" that balances the premise that all customers should receive all measures for which they are currently eligible (even if they received prior services) against concerns regarding administrative burden. Such burden may include the IOUs' need to budget accurately for go-backs, close projects, count treated homes, and excessive refrigerator replacement. The Team should also determine how to calculate the 10-year period during which program re-entry is prohibited.

11. We should disallow any amounts the IOUs seek in their LIEE applications for performance incentives, as such incentives are beyond the scope of this proceeding.

12. All low-income program costs funded from the public goods charge shall be incremental costs – *i.e.*, not provided for in the utility's base rates. Where a cost is one the utility would have to incur regardless of the presence of the low-income program, it should be funded in base rates, rather than by the public goods charge.

13. D.89-09-044 does not stand for the proposition that an IOU may recover customer call center costs from PGC funds.

14. IOUs should account for low-income program costs consistently.

15. A utility must have call center staff in place regardless of whether it offers LIEE/CARE services. Thus, the cost of call center staff should be recovered in a utility's base rates, rather than as part of public purpose funding.

16. SoCalGas should be allowed to increase its budget in 2005 for CARE outreach as it requests, without increasing its overall CARE budget from the 2004 level.

17. Safety testing (including the cost of testing devices) should be funded by utilities' base rates.

18. We should not change the *status quo* and move funding for LIEE-related CO testing from base rates to PGC funding.

19. The IOUs' CO settlement meets the requirements of Rule 51, in that it is reasonable in light of the whole record, consistent with law, and in the public interest.

20. Nothing in the CO settlement restrains the Commission from changing the IOUs' post-testing CO flue threshold levels or should be construed to constitute a Commission statement of what the appropriate levels should be.

21. The Standardization Team should analyze the LIOB's recommended pilot air conditioning maintenance measure for cost effectiveness, unless the same proposal is made by another entity and considered by the Team, in which case the LIOB's proposal will be moot.

22. The LIOB members' terms should be staggered as set forth in the body of this decision.

23. Under AB 868's "deemed eligible" language, a few residents who barely miss the CARE income cut-off will no longer disqualify the whole farm worker housing center for the CARE discount.

24. The OMS should ensure that savings from the CARE subsidy are passed onto migrant housing center residents.

25. Non-profit migrant housing centers not managed by OMS should receive the CARE discount. For-profit centers should not receive the discount.

26. The IOUs covered by this decision should immediately offer qualifying low-income customers all LIEE measures set forth in their respective 2005 applications (except as disapproved in this decision), until further Commission order.

27. We should reinstate LIEE funding for 2005 for high efficiency room air conditioners and evaporative coolers in climate zone 10.

28. We should not reinstate LIEE funding for 2005 for high efficiency room air conditioners in climate zone 16.

29. We generally prefer the utilities to deliver energy education at the point of sale – to customers in their homes. In this way, the education immediately results in “buy decisions” – the installation of measures and, consequently, energy savings.

30. SDG&E’s energy education programs – and any other IOU’s energy education program that delivers the educational message at a location other than the customer’s home – should be assessed as part of the next Standardization Team measure assessment process.

31. The LIEE impact evaluation budget should be approved without increasing the IOU’s 2005 budgets.

INTERIM ORDER**IT IS ORDERED** that:

1. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas), collectively referred to as investor owned utilities (IOUs or utilities), shall immediately offer qualifying low-income customers all Low Income Energy Efficiency (LIEE) measures set forth in their respective 2005 applications (except as disapproved in this decision), until further Commission order.
2. The utilities are authorized to recover in rates the amounts shown below in Tables 15 and 16 for 2005 LIEE and California Alternate Rates for Energy (CARE) activities.
3. The IOUs shall manage their authorized budgets for 2005 in a manner that maintains program service throughout the year. If any IOU believes it will have to discontinue its LIEE program during 2005 (and continuing until our next order authorizing LIEE programs), due to budgetary or other constraints, it shall immediately notify the Energy Division and the assigned Administrative Law Judge (ALJ) in writing.
4. We approve the following CARE administrative budgets for 2005 for the large IOUs:

TABLE 15
LARGE IOU 2005 AUTHORIZED CARE BUDGETS

	PG&E	SCE	SoCalGas	SDG&E
Outreach	\$3,850,000	\$ 1,633,000	\$ 2,402,750	\$ 1,631,727
Automatic Enrollment	150,000	60,000	30,000	21,200
Proc., Certification & Verification	2,100,000	600,000	925,334	227,269
Bill System / Programming	150,000	557,000	265,045	72,800
Measurement & Evaluation	487,000	58,000	393,560	320,700
Regulatory Compliance	170,000	50,000	163,306	123,872
General Administration	450,000	1,063,000	297,315	177,314
Low Income Oversight Board	0	0	0	0
CPUC Energy Division	100,000	82,700	83,000	50,000
Total CARE Expenses	\$7,457,000	\$ 4,104,000	\$ 4,560,310	\$2,624,882
Subsidies & Benefits	191,300,000	168,100,000	75,315,876	32,907,285
Total Program Costs and Discounts	\$198,457,000	\$172,204,000	\$79,876,186	\$35,532,167

5. We approve the following LIEE budgets for 2005 for the large IOUs:

TABLE 16
LARGE IOU 2005 AUTHORIZED LIEE PROGRAM BUDGETS

	PG&E	SCE	SoCalGas	SDG&E
ENERGY EFFICIENCY				
Gas Appliances	\$ 3,334,300	\$ 0	\$ 8,020,500	\$ 919,943
Electric Appliances	17,274,700	20,971,520	0	4,349,064
Weatherization	14,109,000	394,450	15,949,814	3,924,924
Outreach / Assessment / Marketing	3,978,000	2,817,745	4,600,000	0
In-Home Energy Education	3,978,000	518,400	600,000	1,244,291
Education Workshops	50,000	0	420,000	268,107
Energy Efficiency Total	\$42,724,000	\$24,702,115	\$29,590,314	\$10,706,329
LANDLORD CO PAYS				
Air Conditioner Replacement – Central	0	0	0	0
Air Conditioner Replacement – Room	5,000	0	0	0
Refrigerator (CoPay)	20,000	0	0	0
Landlord Co Pays Total	\$25,000	\$0	\$0	\$0
PILOTS				
Cool Center 3	0	0	0	0
Cool Zones	0	0	0	55,000

TABLE 16
LARGE IOU 2005 AUTHORIZED LIEE PROGRAM BUDGETS

	PG&E	SCE	SoCalGas	SDG&E
LIHEAP Leveraging	750,000	0	0	0
Pilots Total	\$750,000	\$0	\$0	\$55,000
OTHER PROGRAM ACTIVITIES				
Training Center	400,000	20,000	325,000	0
Inspections	2,500,000	555,000	1,132,919	486,048
Advertising	0	15,000	281,000	250,000
Measurement & Evaluation (M&E)	300,000	195,000	60,000	50,000
Regulatory Compliance	476,000	70,000	230,000	200,000
Other Administration	9,320,000	1,772,885	1,669,642	563,614
Other Program Activities Total	\$12,996,000	\$2,577,885	\$3,698,561	\$1,549,662
Oversight Costs – CPUC Energy Division	\$35,000	\$70,000	\$36,000	\$21,000
TOTAL AUTHORIZED LIEE BUDGET	\$56,530,000	\$27,400,000	\$33,324,875	\$12,331,991

6. We disapprove the following aspects of the IOUs' 2005 applications:

TABLE 17
BUDGET DISALLOWANCES

Utility	Description of Request	Disallowance (\$)	Reason for Disallowance
SCE	Cool Center	<\$142,500>	Fixed costs are too high
SCE	Cool Center Transportation	<\$42,750>	PGC not designed to fund
SCE	Cool Center Personnel	<\$175,750>	The program should only fund personnel that directly support Cool Center activity
SCE	Cool Center Snacks	<\$19,000>	Ratepayer funds should only be used to fund the energy efficiency measures themselves
SoCalGas	Carbon Monoxide (CO) Testing	<\$1,245,000>	CO testing should be funded from base rates
SoCalGas	CO Testing	<\$555,000>	CO testing should be funded from base rates
SoCalGas	Care Audit	<\$141,000>	Audit cancelled
SDG&E	Performance Incentives	<\$222,000>	Outside the scope of this proceeding
SDG&E	CO Testing	<\$150,000>	CO testing should be funded from base rates
SDG&E	CO Testing	<\$353,100>	CO testing should be funded from base rates

TABLE 17 BUDGET DISALLOWANCES			
Utility	Description of Request	Disallowance (\$)	Reason for Disallowance
SDG&E	LIOB	<1,000>	LIOB expenses are absorbed by CPUC
SoCalGas	LIOB	<1,000>	LIOB expenses are absorbed by CPUC

7. SCE and SDG&E's Cool Centers shall be funded as 2005 pilot projects from these IOUs' CARE outreach budgets.

8. Cool Center budgets shall not include costs for rent; utilities; insurance; janitorial services; other overhead costs; transportation (bus passes, vehicle rental, fuel costs); staffing at Cool Centers; or snacks and beverages.

9. In future low-income applications, any IOU seeking Cool Center funding shall address how to ensure that public goods charge funds are devoted only to LIEE and CARE eligible customers.

10. Within 60 days of the effective date of this decision, SDG&E shall make a compliance filing outlining how the outreach efforts of its third party marketing firm and its community based organization (CBO) partners differs; establishing that these parties are not duplicating efforts; and demonstrating that SDG&E's LIEE outreach is performed efficiently. We delegate to the ALJ authority to follow up appropriately once SDG&E makes its filing.

11. The energy education programs of SDG&E, SoCalGas, and any other IOU that delivers the educational message at a location other than the customer's home, shall be assessed as part of the Standardization Team's next measure assessment process.

12. Within 60 days of the effective date of this decision, SCE shall evaluate its budget request for automatic enrollment to ensure that the budget only includes amounts for transactions involving Department of Community Services and

Development (DCSD) records. If SCE has budgeted more for automatic enrollment than expenses related to DCSD enrollments, it shall furnish this information to the Energy Division. We authorize the Assigned Commissioner to approve a revised budget for this item, if appropriate.

13. Except as provided herein, the ratemaking treatment of each IOU's LIEE and CARE funding shall not change from that authorized in prior decisions.

14. Within 60 days of the effective date of this decision, SDG&E and other IOUs with similar budgets that include expenditures for the CARE Management and Financial Audit for 2005, shall file a compliance advice letter backing out such funding.

15. In future CARE applications, all IOUs shall estimate with as much precision as possible the amount they expect to incur in CARE subsidies in the coming program period, by year.

16. The LIEE Standardization Team shall evaluate the LIQB's proposal for a pilot air conditioning maintenance measure as part of the next phase of its work, unless it is already evaluating the same proposal submitted by another party.

17. All gas utilities identified in this decision shall recover their LIEE and CARE program expenses through the Natural Gas Surcharge specified in Pub. Util. Code § 890 and the procedures approved in D.04-08-010.

18. With regard to third party contractor cost data used to support IOUs' low-income budgets, the IOUs shall meet and confer and develop consistent budget templates for their contractors' use. To the extent any forms or templates developed in the context of other Commission proceedings – such as our Energy Efficiency proceeding, R.01-08-028 – are useful for this purpose, the IOUs may use them. The IOUs shall file and serve a report on the results of this meet and confer process no later than 60 days after the effective date of this decision. No

third party contractor shall receive LIEE or CARE funding without agreeing to break out its costs consistently and in accordance with the templates the IOUs develop.

19. SDG&E and SoCalGas may recover in base rates the call center costs we disallow in this decision.

20. The IOUs may request LIEE/CARE funding on a two-year cycle for 2006-07. The utilities shall file their 2006-07 applications no later than June 1, 2005. The utilities shall list separately their budgets and program goals for each year and participate in workshops to develop other application and reporting requirements. The IOUs shall schedule and conduct the workshops well before their applications are due and invite the LIOB members, the Energy Division, and the public to attend the workshops. If the IOUs have not done so by 60 days before the date their applications are due, ORA shall send an inquiry to the assigned ALJ for this proceeding, referencing the workshop requirement. The parties, ORA and the Energy Division may opt to proceed without the workshop(s), but all must agree.

21. The Low Income Oversight Board's terms shall be staggered as set forth in the body of this decision and continuing into the future.

22. The IOUs shall not consider franchise fees or uncollectibles (FF&U) in calculating their Public Purpose Program surcharge revenues or in related balancing account treatment.

23. LIOB expenses are excluded from the CARE budget.

24. Any IOU that can document that its LIEE electric/gas budget allocation has changed may seek reallocation by advice letter.

25. Due to the presence of the "deemed eligible" language in Assembly Bill 868, the IOUs shall create a new application for migrant housing centers that

does not include the previous requirement that 100% of California Office of Migrant Service (OMS) farm worker housing center residents be eligible for CARE.

26. Non-profit farm worker housing centers, even if not managed by the OMS, shall receive the CARE discount.

27. The IOUs shall use their best efforts to enroll all residents of OMS and non-profit migrant housing centers in the CARE program within 60 days of the effective date of this decision.

28. Small and Multijurisdictional Utilities (SMJUs) (Sierra Pacific Power Company, Bear Valley Electric Service Company/Southern California Water Company, PacifiCorp, Southwest Gas Corporation, Alpine Natural Gas Company Operating Company No. 1 LLC, Avista Utilities, and West Coast Gas Company) shall investigate, with OMS or DCSD assistance if necessary, where OMS and other non-profit migrant farm worker housing centers are located and enroll them in the CARE program. The SMJUs shall use their best efforts to complete this enrollment task no later than 90 days after the effective date of this decision.

29. For 2005 and until further order of the Commission, SCE shall reinstate as LIEE measures high efficiency air conditioners and evaporative coolers in California Energy Commission climate Zone 10.

30. The Energy Division and the IOUs shall immediately begin to address tracking and reporting needs related to LIEE's contribution to the Commission's adopted goals with regard to D.04-09-060 and Executive Order S-20-04.

31. The Assigned Commissioner may, for good cause, modify the due dates set forth in this decision.

32. All CARE and LIEE funding authorized today, including those funds collected through the public purpose surcharge, is the property of the Commission and not of the IOUs. With respect to such funds, these utilities shall serve as collection and remittance agents only and have no beneficial interest whatsoever in the monies. The utilities shall segregate all CARE and LIEE funding authorized today from all other utility funds and not use that funding for any purposes other than as provided for in this decision. While the funds authorized in this decision are in the utilities' possession, the utilities shall hold those funds in trust solely for the benefit of the Commission. The utilities shall remit funds to the persons or entities with whom they enter into contracts or memoranda of understanding, for the performance of the activities authorized by the Commission for the CARE and LIEE programs, within 30 days of the receipt of invoices for the satisfactory completion of those activities.

33. SCE shall document that it actually hires the new employees and installs the planned new computer equipment and upgrades it has budgeted for in its CARE administrative budget. During 2005, but in no event after the end of the year, SCE shall make a compliance filing documenting its new hires and computer upgrades once these processes are near completion.

34. Proceedings A.04-07-010, A.04-07-011, A.04-07-012 and A.04-07-013 are closed.

This order is effective today.

Dated _____ at San Francisco, California.